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ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

CHARLOTTETOWN

P. E. I.

VOLUME No.:

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in the
Court House, at Charlottetown, P.E.I.
on the 12th day of November, 1959
at 10 a.m.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Acting Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.

Mr. G. S. Cumming

Mr. F. W. Anderson

Secretary

Major N. Lafrance

Assistant Secretary

In the absence of Honourable
C.P. McTague, Q.C., Mr. M.A.
MacPherson, Q.C. presided.



THE ACTING CHAIRMAN: Ladies and gentlemen, I think this morning my first word to you must be to express my regret that our Chairman, Mr. McTague is not here. Unfortunately Mr. McTague like most of us has to obey the doctor, and the doctor has told him he must not come on this trip. We hope to have him join us again in the city of Ottawa next month. Yesterday we were in Charlottetown and we received no submissions, but the day was not wasted. I think there was a very novel method adopted by the Government of this province of showing us the transportation facilities, of giving us some idea of the disadvantages and also showing us the resources and beauties of the Island. We all now can understand why it is called the Garden of the Gulf.

We want to say, Mr. Premier, that the public servants you sent with us were real ambassadors for the province in that they missed no opportunity to bring facts to our attention which should be so brought.

Of course, we have not started considering matters yet in the Commission and we do not know what we will be able to do. We may not be unanimous in many things, but I think we are unanimous in this that yesterday was a very well spent day. I think I can say that on behalf of everybody.

Now, gentlemen, there has been a certain task assigned to us, and so that you may realize the duties and responsibilities of this Commission and its limitations that we cannot offer panaceas



for everything, I am going to ask our Secretary to read to the meeting the operative parts of the Order in Council which sets up this Royal Commission.

MR. ANDERSON: Mr. Chairman, I read from a Minute of the meeting of the Committee of the Privy Council approved by the Governor General on the 13th of May, 1959:

The Committee of the Privy Council have had before them a report from the Right Honourable John G. Diefenbaker, the Prime Minister, stating that it is in the national interest that a comprehensive and careful inquiry be made with all reasonable despatch into problems relating to railway transportation in Canada and the possibility of removing or alleviating inequities in the freight rates structure.

The committee, therefore, on the recommendation of the Prime Minister, advise that

Herbert Anscomb, Victoria

Archibald H. Balch, Ottawa

Rene Gobeil, Quebec

M.A. MacPherson, Sr., Regina

Howard Mann, Moncton

Honourable Charles P. McTague, Toronto

Arnold Platt, Lethbridge

be appointed Commissioners under Part I of the Inquiries Act to inquire into and report upon the problems relating to railway transportation in Canada and the causes thereof, and to recommend



solutions thereto, and in particular, without restricting the generality of the foregoing, the Commission shall consider and report upon:

- (a) inequities in the freight rate structure, their incidence upon the various regions of Canada and the legislative and other changes that can and should be made, in furtherance of national economic policy, to remove or alleviate such inequities;
- (b) the obligations and limitations imposed upon railways by law for reasons of public policy, and what can and should be done to ensure a more equitable distribution of any burden which may be found to result therefrom;
- (c) the possibilities of achieving more economical and efficient railway transportation;
- (d) whether, and to what extent, the Railway Act should specify what assets and earnings of railway companies in businesses and investments other than railways should be taken into account in establishing freight rates; and
- (e) such other related matters as the Commissioners consider pertinent or relevant to the specific or general scope of the inquiry.



THE ACTING CHAIRMAN: I think before we ask for appearances I might present the members of the Commission to you. On my right is Mr. Platt who comes from Lethbridge, Alberta; Mr. Mann who needs no introduction here; Mr. Anscomb from the city of Victoria; Mr. Gobeil from Quebec and Mr. Balch from the city of Ottawa. I come from the city of Regina, but proudly say that I was born on the Island of Cape Breton.

Could we now have the appearances, please?

MR. CAMPBELL: Mr. Chairman, the appearances on behalf of the Province of Prince Edward Island are Mr. Premier Shaw and with him as counsel appearing myself, J.O.C. Campbell, and Mr. G.R. Foster of Charlottetown. We will have some four witnesses which we will name at that time. I might say that they include Mr. Lincoln Dewar on behalf of the Prince Edward Island Federation of Agriculture; Mr. Donald A. MacDonald, a former chairman of the Canadian Marketing Board; Mr. Walter Wilson of Canada Packers; Mr. E.B. Reid who is a large importer of agricultural implements and Mr. D. Graham Rogers. There will also be other briefs presented. I do not know the names of the parties who are presenting the other briefs, but they will be on behalf of the Summerside Board of Trade, the Charlottetown Board of Trade -- I believe that will be presented by Captain Hunter and the Canadian Trucking Association will be presented by Mr. Keith MacKinnon. I think if we can do that this morning we will be doing very well.



THE ACTING CHAIRMAN: Thank you, Mr. Campbell. Now, are there any other appearances for the record?

MR. BOYD: I am appearing for the Canadian National Railways.

MR. SMITH: I am appearing for the Maritime Transportation.

MR. OLIVER: I am for the province of Saskatchewan.

THE ACTING CHAIRMAN: Any other appearances? Well then, Mr. Campbell, we might proceed. I think I might say on behalf of the Commission that we are very pleased to note the Premier of your province is here to support the brief and that he is not only supporting it by counsel, but by his Attorney General as well. It indicates to us the interest that is shown in the work we are trying to do. We all have to work together to try to work out some solution.

MR. SHAW: Mr. Chairman and Members of the Commission: I would like to share with you the regret at the absence of the Chairman of your Commission and I sincerely trust that his health will improve to the extent that he can join you at subsequent meetings. I feel however that a very worthy citizen who finds his genesis in the old Island of Cape Breton is in charge of this meeting. This is not the first time that I have met you, Mr. Chairman, on Commissions, and I have some experience with the efficiency with which you handle



matters of this kind. I was also pleased that yesterday you were able to see part of the province of Prince Edward Island. Our Island is not at its very best at this type of year, but we did arrange for a very nice day for your visit to the province. I am glad to know your day was not wasted. May I express our hope that this day will not be wasted either and that we will be able to present to this Board some arguments which will be of subsequent advantage to our province.

It is not my intention at all to take up too much time at this Commission as the matters relating to the representations are in capable hands, but I would like at this time as Premier of the province and on behalf of its people to extend to you a very warm and a very cordial welcome to Prince Edward Island. Over the years we have had many delegations and conferences and commissions, and at all times we have endeavoured to impress upon these various bodies dealing with political and economic matters that we are a hospital people. As they have come to us we have bid them welcome, and as they left us we said, in the words of the Easterns, "Go with God".

Hope always springs exultant on occasions of this kind, and I will say that our hopes are always very high. As we presented our cases to these commissions, some of them of course were fulfilled in part and some of them we might term as hope deferred. We trust that will not be the case on this particular occasion.



One of the first delegations to come to this province and perhaps the most important was the delegation that came here in the 1860's composed of seven very outstanding political figures in Canadian life and headed by the inimical Sir John A. MacDonald. They came by ship and anchored in the harbour. The ship, we were told, was very well provisioned with all the things to satisfy a great variety of tastes. There was a delegation that felt they should meet such an outstanding group from the province, but, unfortunately, the delegation was only composed of one man. He hastened around and finally commanded a row boat. He took the boat and applied himself vigorously to the oars and rowed out to the ship. In those days he would probably have said "Ship ahoy", and extended his welcome with as much dignity as one could standing on the bottom of a boat which was tossed about by the waves. We were told that they had to remain on board that night, they could not come ashore because there was no room at the inn for them. There was an itinerant circus in Charlottetown and they had taken up all the available accommodation and apparently the citizens generally were more interested in the antics of the clowns than they were in these outstanding people who came down here to discuss Maritime Union and Confederation. At any rate they came on shore the next day and in an atmosphere of great conviviality friendships blossomed out and ideas were exchanged and that



led on to Confederation. We are happy that that resulted because of a meeting which was held under perhaps more or less adverse circumstances, and we rejoice in Confederation and are proud to be part of a country that is developing at such a tremendous rate and as far as we can see has a great future as a nation in the affairs of the world.

There possibly were some things, however, that subsequent events did not entirely support the attractive proposals that were envisaged in these discussions, and particularly I wish to refer to transportation. We believed that once they entered Confederation a great many of our problems would be solved; and that was particularly true with regard to transportation problems.

Now, since that time, we have been contending with these problems of transportation and express rates, and we have endeavoured, on a number of occasions, to secure better terms on freight rates and to offset, if possible, the tendency to apply horizontal increases that seriously affect the economy of the province.

In any event, now, sir, with this Commission in which we have very outstanding confidence, which extends from the Pacific down to the Atlantic, we feel that the presentations which we will make here -- and it is not necessary to mention this -- will receive very just and careful consideration. However, if that other delegation in the early



sixties, under the circumstances which I mentioned, were able to bring forth such tremendous results, we would hope now, with this Commission and with the Government and people of Prince Edward Island entirely behind it, that great results can take place from this Commission, and with the warmth and cordiality of our welcome that hope again will take possession of our breasts and we hope and we trust these hopes may be fulfilled in a measure which will affect the economic status of the people of the province of Prince Edward Island in a very, very favourable manner.

Now, it is not necessary that I should point out to this Commission that we are in a rural economy. We have not been endowed, in this province, with many of the natural resources which are common to practically every province in Canada. We are dependent almost solely on the soil and the sea; and because of that fact, without any of the background of other developments in the way of industrial stability, it is exceedingly important that we should at all times very carefully study matters which affect the returns of the people on these small farms.

As a matter of fact, we feel that the cost of getting our goods to market has been a deterring factor and has contributed very largely to the situation we have at the present time, where there are 3,000 less farms in the province than we had a few years ago. I might say that,



at the present moment, we are endeavouring to conduct a survey of farms for sale and vacant farms, and it is an amazing thing to me the number of people who are still gravitating out of this province and incorporating themselves into the industrial section of Canada. That is still going on; and I think that all of us can realize what a serious thing that is in influencing the economy, the public administration, the churches and everything else, if we have these men continuously leaving us and leaving farms that are vacant. The only reason, I believe, that we have been able to continue, in many respects, is the fact that we have an outstanding, frugal people, an intelligent farming people, who have been able to build up their own farms and have produced products of very high quality, which have been able to offset, to some extent, the conditions that affect us.

One of our difficulties, of course, is that our markets are far distant -- Toronto and Montreal and the southern United States for seed potatoes, and so on -- and so any increase in freight rates -- horizontal increases particularly -- have a devastating effect upon the receipts and revenue that come into the pockets of our farmers and our fishermen.

At the present moment I might give, as an example, our lambs which have to be transported to the Montreal market, and the freight rate there has to be deducted, of course; that is natural.



But on hogs -- not so much on hogs now, as a matter of fact -- but on lambs and on cattle and on other farm products the long freight haul has a tremendous influence in so far as the ultimate returns to our farm people are concerned.

I have just one instance that I would like to mention while I am speaking about hogs. Last year, I am told by our hog men, the express rate on hogs increased by 50 per cent. We have types of hogs on Prince Edward Island which, I claim, are second to none in the world. We have built them up on a very constructive basis with the cooperation of our producers and breeders, and we have a demand for these hogs as breeding stock not only right across Canada to British Columbia but in all of the northern States of the Union; and that has been a very, very favourable market for many of our hog producers that have put a good deal of money and time and experience into the development.

Now, this increase in express last year has been a very serious deterrent to profitable distribution; and I might say, too, that those who were getting some advantage from that, being the people in Western Canada and the farmers out there -- they have been getting the advantage of our Prince Edward Island producers in improvement of their swine herds. I know of one case where a hog was shipped to Manitoba. His weight was 60 or 70, and it took over \$60 to take the hog



that distance. I presume if he had had to go as far as where you live, to Regina, they would have had to take him off at some by-way station and try and recoup the loss to the railway for his carrying charges. But, in any event, this is one particular instance.

The distance which we are from our markets is a tremendous deterrent in the light of increased freight rates to our farm people, and I do say that if these increases continue, or even remain as they are at the present high rates, it is going to seriously affect the whole of our main industry-- the industry on which we are mainly dependent -- and, subsequently, the economy of our Government and every other department, social and economic, of the province.

That isn't the only thing. There is the other way in. We know that, today, farm machinery is tremendously expensive. Farm machinery today is of a different type to what we were using a few years ago. The old type of farm sale, where you try and sell the old binders and equipment that was very satisfactory a few years ago -- they go for junk. There is a new type coming in -- heavy tractors, combines, bailers, heavy trucks, cars -- which are a necessity, of course, for everyone in this day and generation -- and we have to go to Ontario to buy them. Now, that increases the cost coming into this province of that equipment, and



while I have no figures on it, we did, I think, at the last meeting, discuss matters of this kind. Those increased costs are terribly serious factors in so far as the cost of the implements of production are concerned. It is not only in these types of machinery which I mentioned, but there are a thousand and one different other products that go into the price of production on farms and in the fishing district of the province that we have to meet through high freight rates.

I say this to draw your attention to the general conditions today, and to show the cost of getting our products out to market and the cost of getting our product in to market -- the implements of production, which does impose a tremendous financial responsibility on the people of this province; and it is deteriorating our whole scheme of agricultural production, which, as I mentioned earlier, the vacant farms, because of conditions that are not satisfactory to young people to go on to these farms and take that up as their life's work.

I am afraid I have taken longer than I anticipated, but one of the troubles with most politicians is that they never know when to stop, but I wanted to give you the broad picture with which we are contending at the present time, of the very serious situation in farm production and farm marketing; and any relief that can be given to this province would be wonderful for all



of our people.

Thank you very much.

THE ACTING CHAIRMAN: Well, Mr. Shaw, we appreciate very much the warmth of your welcome and we want to assure you that we are approaching this matter from the interests of the whole country.

Yesterday was Remembrance Day, and in two World Wars Canadians were only interested in their fellows wearing the maple leaf, wherever they came up -- whether they were Quebec, or the Maritimes, or the West -- and we are concerned with trying to study the various problems and to see the preservation of a united Canada. That is the important thing.

Mr. Campbell?

MR. CAMPBELL: Thank you, Mr. Premier.

Mr. Chairman and Members of the Royal Commission, may I be permitted at once to formally introduce to you my colleague, Mr. G.R. Foster, whom you met informally in Fredericton, and in connection with Mr. Foster I don't pretend it is in the nature of a warning, but I would like to point out that Mr. Foster is not only Crown prosecutor for this County, but he is a partner of the Attorney General, and if any of the members of this Commission or the Secretary or the officers have any ideas in mind --

THE ACTING CHAIRMAN: We will be very careful!

MR. CAMPBELL: We are very fortunate indeed in this province in having, as your honours



have noticed, a Premier who has not only been all his life a working farmer and an active participating farmer in the world of agriculture here and a man who has devoted practically his entire adult life to studies of these matters.

As he mentioned to you, Mr. Chairman, he had met you many times on freight rate cases and other matters of that kind, and we are indeed fortunate that we have him at our back in a matter of this kind, and although he and I don't see eye to eye politically, I was more or less --

THE ACTING CHAIRMAN: That has happened before.

MR. CAMPBELL: I was more or less pleased yesterday to notice in the Charlottetown Guardian, from which I clipped an editorial here, in which I find that the person who defeated me in the election last year, the Honourable Angus MacLean, is even praised by Premier Smallwood.

THE ACTING CHAIRMAN: I noticed that, too. It is high praise.

MR. CAMPBELL: The clipping goes on to say that Mr. MacLean is unquestionably the best minister the Federal Government have had since Confederation. Words of that kind make me feel that perhaps I shouldn't have opposed a man of that kind.

THE ACTING CHAIRMAN: An unwilling sacrifice.

MR. CAMPBELL: Now, Mr. Chairman, our



brief is on file. Mr. Foster and I took it with us to Fredericton and filed it there, and we know ultimately how carefully you and your colleagues will be studying these matters and I don't propose to read it seriatim, I will refer to different parts of it as I go along, and the brief is there and will be read.

THE ACTING CHAIRMAN: We had better file the brief.

MR. COOPER: The submission by the province of Prince Edward Island will be Exhibit 21.

EXHIBIT NO. 21: Brief filed by the
Province of Prince
Edward Island.

THE ACTING CHAIRMAN: Are you calling witnesses?

MR. CAMPBELL: We are calling some witnesses. However, I wish to say just a few words before that, with Mr. Chairman's permission.

I might say, speaking of our witnesses, that there are no politics, as pointed out in the brief, in any of Prince Edward Island's representations with respect to matters of transportation. As you know, Queen's County is a dual constituency -- one of the witnesses was my opposition in the same election last year and with the same result.

I wish first at the outset to point out one or two patent errors that will creep in in these days of dictating machines; it is not the same as when you are able to write the whole



thing out and see how it looks, and there are just one or two pages I wish to refer to. These changes I am about to mention don't affect the subject matter at all, they don't change anything we have said, and on page 4 at the centre of the page the Commission will notice that we have mentioned there the 17 per cent increase effective December 1, 1958. Now that, of course, was reduced by the Government of Canada pending the findings of this Commission to a 10 per cent increase; that is for one year.

COMMISSIONER ANSCOMB: In the third paragraph?

MR. CAMPBELL: Yes, the third paragraph. It should be noted that although 17 was the amount allowed by the Board of Transport Commissioners, 17 becomes 10 by the Order pending the finding.

Then, the sentence following immediately after that, which reads in the brief as, "A further percentage increase allowed by the Board," and "allowed by the Board" should be struck out and the "A" at the start of the sentence should be struck out, and that will let the sentence read, "Further percentage increases have been suspended by the Government of Canada pending the findings of this Royal Commission."

THE ACTING CHAIRMAN: That is the freezing of the rates?

MR. CAMPBELL: Yes. Now, at page 7, the penultimate paragraph on page 7, "In the same



"breath we should note that the change by subvention from 20 per cent to 30 per cent differential under the Maritime Freight Rates Act was completely wiped out by the 11 per cent increase." Now, I think, "substantially" would be a more modest word.

THE ACTING CHAIRMAN: Modesty is appreciated always.

MR. CAMPBELL: And, Mr. Chairman, you will notice that chronologically I have the matter reversed there; that is, the 11 per cent increase as a fact preceded the 20 to 30 per cent subvention, and consequently the result is identical, that although we had an increase in the differential by subvention by 20 to 30 per cent, that was cancelled out with the 11 per cent increase.

I think there is just one word at page 27 in the centre of the page where it refers to the quote there on the late Wilfred Boulter, "'Any increase in the cost of delivery of goods is eventually the producer's returns.'" That is the way it reads, and "from" should be inserted, "from the producer's returns."

There are, as I think I mentioned before, other briefs to follow, and I think perhaps I might mention those at the moment. Now, after the brief of the Summerside Board of Trade, unfortunately the gentleman who was to have been here to have presented that is unavoidably absent, and Mr. Graham Rogers, the Director of Transportation, will present that brief.



THE ACTING CHAIRMAN: Well, I would say it is in good hands.

MR. CAMPBELL: Very good. The Board of Trade of Charlottetown who will be presented by Captain Hunter, and I will have a little more to say about Captain Hunter later on, and then the Trucking Association Inc., Canadian -- that is not the way it reads to me -- Canadian Trucking Associations, Inc., and the brief will be presented by Keith MacKinnon who is a past-president and director of the Maritime Motor Transport Association.

Now, Mr. Chairman, I don't propose to weary the Board at this moment with the whole text -- the whole text, if we could call it text -- the whole submission of this province may be summed up in these words which were expressed by my friend the Premier a few moments ago, that some alternative must be found to horizontal rate increases.

The difficulty, as it may be, the Turgeon Commission told the Board of Transport Commissioners to find an alternative, and the Board of Transport Commissioners said to let the railways find out; somebody has to find out.

THE ACTING CHAIRMAN: Your argument, Mr. Campbell, reminds me of a race between a rabbit and a dog over the Prairies, and the dog was catching up to the rabbit until the rabbit ran up a telephone pole, and somebody said, "Well, now, a rabbit can't run up a telephone pole,"



and the answer was, "That rabbit just had to run up that pole".

MR. CAMPBELL: That is the position we are in, Mr. Chairman; this present Royal Commission must run up this telephone pole.

Now, if your honours will turn to the top of page 12. Of course, we have included here as a re-print our suggestion for nationalization of the C.P.R. in Schedule 1. Your Commission may think that we are flogging an old theory, but it may be that that is the only solution, we don't know. At the top of page 12 we believe that the expression "national transportation policy" should be extended to read, "A national transportation policy tailor made for each of the economic regions." That is, you cannot in a country as vast as Canada expect one transportation policy to extend from coast to coast and into the North-land.

We have, as it goes on at the top of page 12, five regions of Canada; the Pacific coast, the Northwest Territories, the Prairie provinces, central Canada and then the Atlantic provinces, and we believe that the national transportation policy should be a policy made for each of those economic regions and we emphasize that we must forget about railway regions; these are not to be on the basis of railway regions, and that is about in the third or fourth line on page 12.



It is not as if we always went to Levis and Diamond Junction, and all those things, and the select territory; we have heard so much about that in the Maritime Freight Rates Act, and the railway regions must be forgotten and the natural economic regions of Canada must be remembered, and if a national transportation policy is to be formulated, that policy must be reviewed to the natural economic regions. A policy that will do in the Northwest Territories will not necessarily do in the Atlantic provinces.

Now, the money must be found somewhere, as we say at page 7, because subject to the arguments that were put forth in Schedule 1, the third paragraph on page 7 says, "if the present Royal Commission feels that the time has not yet arrived when the Canadian Pacific Railway should be amalgamated with the Canadian National, the money must still be found for the railways somewhere. The question is still:- 'Who is going to pay the bills?'. This Government does not believe in state control for the mere sake of state control, but the best reason for nationalization is that the present system does not work and no system yet tried in Canada has ever worked. This is due to the effort which must be made to have a private road compete with a publicly-owned road. Railways will constantly require new capital, and this capital must come either from private investors or the Government. Private investors will not furnish the capital necessary



"unless freight rates are such as to provide the Canadian Pacific Railway with dividends for its shareholders, and this means higher freight rates. However, as stated, if this Commission still feels that time has not yet come for public ownership of all railways in Canada, it is submitted that the situation which exists in regard to the Crowsnest Pass Rates might well be treated in the same way as the situation arising out of the Maritime Freight Rates Act. A subsidy should be paid to the railways to reimburse them the cost of carrying grain to the Lake Head (and carrying back the empty cars) at a rate which existed in 1899."

Then there is another matter: As I have said, this is all in the text of the Honourable Premier when he said that he must find an alternative to the success of horizontal freight rate increases. We say at page 8:

"However, the railways have not adopted sufficient co-operative measures under the Act, nor is there any jurisdiction in the Board of Transport Commissioners or any other body to investigate what measures the railways have taken under the Act or to see that all possible economies have been effected."

THE ACTING CHAIRMAN: You are talking of the C.N. - C.P. Act?



MR. CAMPBELL: Yes.

"There are no teeth in the Act. The Government of Prince Edward Island considers it to be reasonable that when the railways come to the Board of Transport Commissioners seeking an increase in freight rates, the Board should be able to inquire what economies the railways have effected since their last meeting, under the Canadian National Canadian Pacific Act. Then if the Board finds that some reasonable economy had not been undertaken by the railways, the request of the latter for an increase in freight rates should be adjourned pending the consummation of such economy. And, in some cases it might be found that the economy to be undertaken would render the application for an increase in rates unnecessary."

Then, the last paragraph on page 8:

"Furthermore, it is respectfully submitted that this Royal Commission should itself inquire of the railways what, if any, agreements they have recently arrived at pursuant to the Canadian National-Canadian Pacific Act and what economies they have recently effected."

THE CHAIRMAN: We have that in mind.



MR. CAMPBELL: "Upon what plans and arrangements are they presently engaged to effect economies by co-operation?"

May I at this stage, Mr. Chairman, direct the Commission's attention to the last paragraph of the brief on page 13:

"It is understood that this Royal Commission will meet in Ottawa early in the New Year, after it shall have completed its visit to all the Provinces of Canada. Doubtless many worthy suggestions will be made to this Commission during its Regional Hearings, and this Government craves leave to file with the Commission such further and other material as may be deemed advisable, at any time before the final hearing at Ottawa. We, therefore, request leave to file an additional brief or briefs, and in particular, to reply therein to any representations or presentations which may be made from time to time by other Provinces or interested parties."

THE ACTING CHAIRMAN: I think I can grant your request now, Mr. Campbell, on behalf of the Commission.

MR. CAMPBELL: Thank you, Mr. Chairman. Now, although as the Honourable Premier said a few moments ago, we are fortunate in this province and in all the other provinces in having



the personnel of this Royal Commission so cognizant and familiar with the issues and difficulties involved. I wish to make one statement which I do not know will be so well received by everybody, and that is that I think it is unfortunate that Mr. Frank Hall is not here. I realize that one does not speak about another man in his absence. I have been a lawyer long enough to know one does not do that. Mr. Hall would have to have some notice before I could say very much, but I can say this I think without affecting his rights: He was reported in the press not so long ago in answer to a question by a reporter as to why his application was made at this time to have said that his application was made at this time for strategic reasons. The question I should like to ask Mr. Hall in cross-examination is whether he was correctly reported and, secondly, what he meant by "strategic reasons". We all know that his contract runs out on December 31, but contracts can be extended and renewed. What the Government of Canada did is not a contract, it is a judgment of the Board of Transport Commissioners and it says this increase will be 17 per cent. The Government of Canada speaking for the people of Canada says it will not be 17 per cent, it will be 10 per cent until we hear from this Royal Commission -- in one year or until we hear from the Royal Commission. Furthermore, "Although you are the Board of Transport Commissioners set



up under the Railway Act with all the powers the Railway Act gives you, you shall not give any more judgments giving rail rate increases across Canada until this Royal Commission reports". Frank Hall, and as I say, I regret his absence but if it were not for that legal part of my mind which tells me I must not say anything about a man in his absence I would move this day for a citation to have him appear before this Commission to show cause why he should not be held in contempt of this Commission.

THE ACTING CHAIRMAN: Well, Mr. Campbell, on matters of labour we do not presume to claim that they come within the Terms of Reference and we naturally have to stick closely to the Terms of Reference and not go further afield.

MR. CAMPBELL: There is no question about that.

THE ACTING CHAIRMAN: We have enough problems.

MR. CAMPBELL: But what I am saying is that if by "strategic" it was meant to embarrass this Royal Commission then, of course, as I say, I have already gone too far on it in Mr. Hall's absence. However, I refer to page 23 of the brief and this is from the Toronto Saturday Night, dated June 14, ten years ago:

"Why is everybody outside the C.C.F. poking so much fun at Mr. Coldwell for his suggestion that when he comes to



"power he will nationalize the C.P.R. and then let it go on competing with our other nationalized railway, the C.N.R.? True it is an illogical sort of idea, but if anybody thinks that there is anything logical about our present transportation set-up he is greatly mistaken. What we are doing at present is financing a publicly-owned railway to compete with a privately-owned railway, and financing it largely out of taxes collected from all of us including the privately-owned railway. This device provides employment for a great many more railway workers than would be employed if the two systems were amalgamated (whether under private or public ownership would make no difference on that score); and we are so rich that we can afford to pay these extra workers out of the taxes or out of the transportation charges, and we are used to this extraordinary set-up and think little about it, although if we ran across it in anybody else's country we should certainly conclude that the inhabitants were insane.

Indeed, so rich are we that we not only pay these extra workers at the prevailing market rates, but we actually pay them whatever they like to ask, since if we did not do so they would go on strike and deprive us of an essential element in our



"'economic life. They are now preparing to make some new demands in the way of wage increase and improvements in working conditions, which will no doubt be granted after a little of the usual haggling: But it might be worth considering whether we could not make future wage increases conditional on the consolidation of the two systems and the pensioning off of the supernumerary employees. For while we realize that no worker can nowadays be dismissed merely because his job has become redundant, it might still be possible to look after him only for the rest of his life, and to start saving money on him as soon as he is dead.'"

I submit, Mr. Chairman, that that question must be asked by this Commission of the two railways not only in connection with the C.N.-C.P. Act. "Where you are saving money, what money you are saving" certainly by statute it is only under the C.N.-C.P. Act, but the question must be asked before we overburden the people. The Honourable Premier in his submission a little while ago said at page 8 near the bottom of the page:

"Hon. W.R. Shaw, now Premier of Prince Edward Island, gave evidence in the 30 per cent case, and he there summarized the position of our farmers by stating:-



"With a small income any change in costs of production or transportation may seriously affect and deteriorate our whole Island agricultural program."

Mr. Chairman, you and the Members of your Commission were very gracious yesterday about expressing your enjoyment over the little trip you had around to see some of our country. I wish that you, Mr. Chairman, and any one of your members could have been here during our railway strike. You see, a strike on Cape Breton Island where you can pretty nearly throw a stone across, about a mile, it is vastly different to the distance we are from the main land on this Island when a railway strike hits. Captain Hunter who will read the brief for the Charlottetown Board of Trade, I asked him just last night just in passing how long he thought he had been without taking his clothes off in that period and he thought about seven or eight days. That is not nice. We had to set up without any statutory power -- there was not time to call a session of the legislature -- sometimes you politicians talk about government by Order in Council but that is what we did.

THE ACTING CHAIRMAN: I am not a politician, I am an "ex".

MR. CAMPBELL: Well, you have spoken about government by Order in Council brought in by emergency at that time, what else are you going to do? We closed the roads to Borden, we



appointed a controller and we opened an office on this side of the Hillsborough Bridge at the road leading to Wood Islands. It was at the height of the tourist season and you can realize our position, people having to get back to their jobs. There was no warning, no boat at Borden, neither one nor the other. The only link was the one furnished by Captain Hunter who is the regional director of the Northumberland Ferries Limited and Chairman of the Charlottetown Board of Trade. He had two boats, he did not have the big Selkirk that he has now. He was going at night and day and there was about two miles of traffic with pickets before you could get across the Hillsborough Bridge and get started to Wood Islands at all you had to be issued with a ticket by this controller or his office. You see, a strike in Prince Edward Island is of such magnitude you people in Montreal and Toronto and even in beautiful British Columbia do not realize the awful affect of a strike on an island. If I seem bitter about strikes then I really cannot be blamed. I think I was Deputy Attorney General at that time and I drove down to Wood Islands ferry with a staff sergeant of the R.C.M.P. to see how things were getting on. We yanked out of that line two carloads of people who we found to be striking employees on the ferries at Borden. We told them this was not a good time to have a holiday and to go back home.

COMMISSIONER BALCH: I am wondering if what Mr. Campbell is saying really has anything



to do with the Terms of Reference, talking about strikes?

THE ACTING CHAIRMAN: Well, I have listened to Mr. Campbell because I took it he might be addressing his argument to us as part of the transportation policy for the country forbidding strikes, recommending they be forbidden.

COMMISSIONER BALCH: I agree. I was expecting Mr. Campbell would come to that point sooner or later but I feel it is a little bit later now. It is what I expected.

MR. CAMPBELL: What Mr. Commissioner Balch says might be very true except it is not later. I have a clipping here from the Guardian of November 7, and that is not very long ago and it says:

"Rail wage demands said biggest
hassle."

It goes on to say that labour's biggest hassle has started and it involves 15 unions. They mentioned \$65 million a year, and they say that if they had the other \$32 million that would make \$97 million a year to be found and how are you gentlemen going to find an increase in freight rates of \$97 million a year with a strike on your hands?

THE ACTING CHAIRMAN: Well, of course, so far as this Commission is concerned this Commission is dealing with policy, and, as the



Secretary has read, the matter of rates, as such, being under the Board of Transport, is not part of our problem at all.

MR. CAMPBELL: Except in this respect, Mr. Chairman, that I wish to point out that the Government of Canada and, of course, Prime Minister Diefenbaker -- and this is not because I am a supporter of his -- I am speaking of the Government of Canada who said: "Here we will do this. We will slash 7 per cent from the last finding of the Board of Transport Commissioners. We will tie it in to the Board of Transport Commissioners until the finding of this Royal Commission ..." and this Royal Commission is here at the instance of the Government of Canada, which means the people of Canada, to try and find some solution to the railway situation and freight rates, which is not to be found, Mr. Chairman, by an increase from 60 million to 90 million ...

THE ACTING CHAIRMAN: The more you talk about it the more I realize that we are bereft.

MR. CAMPBELL: Don't mention that.

As was said a few moments ago, I have already taken too much time ...

THE ACTING CHAIRMAN: No, no; go on. I didn't mean to suggest that. You are just driving it home.

MR. CAMPBELL: I have to drive that home, Mr. Chairman, because I don't suppose any body, not even excepting those who sat around this



table, and which, I believe, you gentlemen will sit around this afternoon on which there is a plaque that it is the table around which that John A. MacDonald and those with him sat when they first talked about Confederation -- I don't suppose any body of men has ever done such a momentous thing as you are expected to do.

THE ACTING CHAIRMAN: Don't think we are Solomons, because we are not.

MR. CAMPBELL: If you find a solution, Mr. Chairman, then Solomon will -- I believe the pages will be torn from the Bible!

MR. SHAW: In favour of one, MacPherson!

MR. CAMPBELL: The thing I want to avoid is taking time away from the other briefs which have to be presented, and I would like to call first on Captain Hunter, whom you have heard before, to present the brief of the Charlottetown Board of Trade.

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SUBMISSION OF
CHARLOTTETOWN BOARD OF TRADE

Appearance:

Captain Claud R. Hunter - President, Charlottetown
Board of Trade

EXHIBIT NO. 22: Brief of Charlottetown
Board of Trade.

MR. COOPER: May I say that the previous submission of the Government of the province of Prince Edward Island should be Exhibit 21 and not Exhibit 20 as I previously stated.

CAPTAIN HUNTER: Firstly Mr. Chairman and gentlemen, may I, as President of the Charlottetown Board of Trade, join with our Premier in extending to each of you a warm and cordial welcome to this birthplace of Canada and to the province generally.

The Charlottetown Board of Trade has had the opportunity of perusing the brief already submitted to this Royal Commission by the province of Prince Edward Island, and wishes to go on record as concurring fully with the various submissions therein.

The whole field of freight rates structure, and the many and varied problems associated with the operation of Canadian railways today are of such complexity to the average Canadian citizen that we in this Board of Trade, being closely associated with the Maritime Transportation Commission which acts for these Atlantic provinces in this field, look to the



comprehensive brief which will be presented to this Royal Commission later in Ottawa by that Maritime Transportation Commission to adequately set forth the viewpoints of these Atlantic provinces in this regard, and more particularly as regards the effect of said freight rates structure on the economic development in this area.

This Board feels therefore that there is nothing to be gained by needless repetition of the issues involved, but does want to again stress most forcibly the urgent necessity of a further ice-breaking Rail-Vehicle Ferry for the Borden-Tormentine Service to ensure the continuous year-round communication between this province and the mainland as guaranteed to us under the Terms of our Confederation with Canada.

Such pressure by this Board for such additional year-round ice-breaking rail-vehicle ferry does not detract in any way from our appreciation of the likewise equally necessary vehicle ferry which our Island Board of Trade asked for in their joint submission to the Turgeon Royal Commission in 1949 and for which we understand tenders will be called shortly.

Nor would the early acquisition of both such additional year-round ice-breaking rail-vehicle ferry, and the aforesaid vehicle ferry for which we expect tenders to be called shortly, detract in the least from the overall objective of all Islanders for the proposed Causeway, if investigations and studies now under way determine the



feasibility of this project.

It is submitted in conclusion, that being an island province, that only in direct proportion to enlarged transportation facilities for the Borden-Tormentine Service, the Wood Islands-Caribou Service, and likewise as regards Maritime Central Airways Services, can we hope for a marked improvement in the general overall economy of our province, from which the Canadian National Railways would undoubtedly be one of the first to benefit.

THE ACTING CHAIRMAN: Captain Hunter, for our information, the present ship which we had the pleasure of being on yesterday is very satisfactory, I would think?

CAPTAIN HUNTER: Yes.

THE ACTING CHAIRMAN: Both as ferry and ice-breaker?

CAPTAIN HUNTER: Yes.

THE ACTING CHAIRMAN: Now, you referred to the Causeway. One of the difficulties of the Causeway is not only the length, I suppose, but the fill?

CAPTAIN HUNTER: Yes. There are probably more serious matters related to the Causeway than the actual construction of a Causeway.

THE ACTING CHAIRMAN: I don't propose going into the engineering, but seeing you mentioned it in your brief I just referred to it. What are these -- for our information -- more serious questions?



CAPTAIN HUNTER: I think there are two things which are under study now and which might take some time to determine. One is the effect on the fisheries and the other is the change in water levels of the water in the Northumberland Sea.

THE ACTING CHAIRMAN: Both of which may be involved?

CAPTAIN HUNTER: Both of them will probably be involved, yes.

THE ACTING CHAIRMAN: And fishing is of great importance to the Island?

CAPTAIN HUNTER: Oh, yes, of major importance.

COMMISSIONER MANN: I have one question, Captain Hunter, if you will permit me to ask it. It is for clarification. In the brief of the Charlotte-town Board of Trade you refer to what I take to be two ferries,

CAPTAIN HUNTER: Yes.

COMMISSIONER MANN: One a rail-vehicle ferry which, I understand, would be a ferry which, in addition to having automobile and motor truck capacity, would also have rails to take railway equipment?

CAPTAIN HUNTER: That is correct.

COMMISSIONER MANN: And the other one I think you designate as a vehicle ferry. Presumably -- perhaps this may sound like a statement, but please confirm it or not -- presumably that one would have no provision to take railway equipment; is that



correct?

CAPTAIN HUNTER: Yes.

COMMISSIONER MANN: Well, then, Captain Hunter, do you, or the Charlottetown Board of Trade, feel that both of these ferries that you contemplate should have ice-breaking facilities?

CAPTAIN HUNTER: Yes.

COMMISSIONER MANN: Thank you very much.

MR. COOPER: I have just one question. If I understand the submission of the Charlottetown Board of Trade as regard the question of ferries, it is for an additional ice-breaking rail-vehicle ferry and also an additional ferry which will also be capable of ice-breaking?

CAPTAIN HUNTER: Not to the extent of the ice-breaking rail-car ferry.

MR. COOPER: But that will be a vehicle ferry, but, perhaps, not properly described as an ice-breaking ferry?

CAPTAIN HUNTER: That is correct.

MR. COOPER: That is what the Charlottetown Board of Trade would like to see established, and without prejudice to the building of a Causeway if the Causeway is proven to be feasible?

CAPTAIN HUNTER: Yes, that is correct.

THE ACTING CHAIRMAN: Thank you, Captain Hunter.

Mr. Campbell?

MR. CAMPBELL: Mr. Rogers, I believe, has a statement to make in connection with the Summer-side Board of Trade.



THE ACTING CHAIRMAN: He was our tutor of yesterday, and a very satisfactory one, I think we all agree.

SUBMISSION OF
SUMMERSIDE BOARD OF TRADE

Appearance:

Mr. B. Graham Rogers - Director of Transportation,
Department of Industry and
Natural Resources, Prince
Edward Island Government

EXHIBIT NO. 23: Brief of Summerside
Board of Trade.

MR. ROGERS: Mr. Chairman and Members of the Commission, until a few moments ago I didn't know I would have to present the Summerside Board of Trade brief, but I am very glad to do so.

In conversation last night with the President of the Summerside Board of Trade he asked me to give you his apologies, that something very unfortunate had turned up which made it impossible for him to be here today; so I am doing it on his behalf.

He and the gentleman who is with me, Mr. Arnold, asked that whoever read the brief -- and, as I said, I didn't know I was going to be the one to read it -- to refer specifically to two particular things in the brief. One is on page 6, the top paragraph:



"Transportation to and from the mainland has been a major issue in our transportation problem particularly since no winter schedule is maintained on the Wood Islands - Caribou route and the whole economy of the Island is dependent on the proper function of water transport between Borden and Cape Tormentine. We have a very adequate and serviceable boat in the M.V. Abegweit, however the S.S. Prince Edward Island which was built in 1915 has a much smaller vehicle and railway car capacity. This boat has been in service for many years and actually held back our tourist and commercial development until the Abegweit was put in service in 1947. This boat must now be replaced quickly irrespective of whether the proposed causeway is built or not, and bearing in mind the time lapse which must occur before a causeway could be completed."

Then, would you please turn to Appendix "B", which is the second last page in the brief, I believe:



"Resolution of Summerside Board of Trade passed at a General Meeting held August 28, 1958.

WHEREAS the Province of Prince Edward Island is entirely dependent on ferry transportation to maintain communication with the Mainland

AND WHEREAS the ships presently operating on the Borden - Tormentine service are now inadequate to meet the increased transportation demand

AND WHEREAS the upward trend of transportation requirements is causing an increasingly serious situation each year, with the obvious result that the present car-ferries are entirely incompetent to give reasonable service during the years until a Causeway can be constructed

BE IT THEREFORE RESOLVED that the Federal Government be petitioned to commence construction of a new ice-breaker car-ferry for the Borden-Tormentine service at the earliest possible date..."

In connection with that I can say that they were very appreciative of the fact that a vehicle-ferry for summer service has been announced; and, secondly, that one of the ice-breakers which they are asking for -- and this was what Captain Hunter referred to -- to carry railway cars as



well as vehicles.

The next quotation is from the bottom of appendix "B", the last sentence:

"If ABEGWEIT were to be laid up the situation would be extremely bad as her carrying capacity is almost double that of the older ship..."

Those are the instructions I received.

THE ACTING CHAIRMAN: Have you any questions, Mr. Balch?

COMMISSIONER BALCH: No.

COMMISSIONER GOBEIL: I have no questions.

COMMISSIONER ANSCOMB: I have none.

COMMISSIONER MANN: I do want to ask Mr. Rogers just one question, referring to page 7, the very last sentence, in the Summerside Board of Trade brief: "However, in so far as railway freight is concerned, our busiest and heaviest months of traffic occur from November to June and for this we must be protected as well as the railway for the heavy carload railway freight traffic..."

Could you, perhaps, for our edification, give us an indication of why the heaviest months of traffic occur from November to June -- what the commodities are?

MR. ROGERS: The reason for that is that those are the heavy months for our potato shipments by rail.

The potato industry is of great economic



importance to this province, and anything that is of economic importance to any province, or any section of a province, is also, of course, of great economic importance to the railway; and we co-operate very closely with the railway and, I must say, we get along very well. So it is a mutual thing for the railway and for the province.

Does that answer your question?

COMMISSIONER MANN: Yes. So the cost of storage would be overcome if you got the savings that you would think would be ...

MR. ROGERS: We haven't got the Causeway which would take a lot of money to build; but, secondly, there will not be the storage charges.

THE ACTING CHAIRMAN: I think we saw yesterday where some of you people ship out by water?

MR. ROGERS: Yes, we ship out some potatoes by water.

THE ACTING CHAIRMAN: There were two ships yesterday?

MR. ROGERS: Yes.

COMMISSIONER PLATT: In regard to your commodities coming in here, particularly the goods which you have to use, for example, the feed grain; is all that moved by rail?

MR. ROGERS: That all moves by rail.

COMMISSIONER PLATT: Has consideration ever been given, for example, to moving feed grains by lakeboat from the head of the lakes?



MR. ROGERS: Yes, some years ago that was considered, but there was nothing done about it.

MR. SHAW: We haven't the facilities.

MR. ROGERS: No, we haven't the facilities to bring things in by boat.

COMMISSIONER PLATT: And the cost of storage would be so great as to overcome the savings?

MR. ROGERS: There are two factors; first, we haven't got the storage which would take a lot of money to build it, of course, and secondly, there would be the storage charges.

THE ACTING CHAIRMAN: I think we saw yesterday where some of your people ship out by water?

MR. ROGERS: Oh yes, we ship out some potatoes by water.

THE ACTING CHAIRMAN: There were two ships at Summerside yesterday.

MR. ROGERS: Yes. I would like to explain that to you gentlemen; those ships are going to ports down in the southern United States, where it would be absolutely impossible for us to ship.

THE ACTING CHAIRMAN: Have you any idea how much, by way of potatoes, is shipped by rail?

MR. ROGERS: Yes, I can give it to you right away. It is not in the schedule for the year ending 1958 -- that is, the 1958 potato crop -- now, there is a difference, the crop year is from July 31, to July 31, so this covers



the 1958 growing crop which was shipped between August 1st and July 31, 1959.

We shipped by rail 6,599,437-1/2 bushels of potatoes, table stock, and we shipped by rail on feed stock, 1,363,711-1/2 bushels, that makes a total of roughly 8 million bushels out of the 10 mentioned that were shipped.

Now, by water -- table stock -- we only shipped 489,000 bushels as against 6-1/2 million, and on feed we shipped by rail 1,300,000 and by water 761,000 bushels, and the bulk of that feed -- I think Mr. Reid could confirm this -- the bulk of that feed -- all went down to the southern United States. We couldn't ship by rail; you take the water rates down there, they are roughly around 60 or 70 cents, and it is about \$2 by rail, so it would be impossible. Practically all the rest of our stuff, except a few local New Brunswick and Nova Scotia truck shipments, do go by rail and we get good service from the railway, splendid service, especially these last few years.

THE ACTING CHAIRMAN: Mr. McCoy and Mr. Boyd will be very happy to hear that. You can take a bow.

MR. ROGERS: I work in that business all the time and I am very sincere about that statement.

THE ACTING CHAIRMAN: Any questions, Mr. Cooper?

MR. COOPER: Mr. Rogers, am I correct in understanding that potatoes moving by rail



to central Canada move under agreed charges?

MR. ROGERS: That is right, sir, which is very beneficial to the railways as well as to ourselves; it is a 100 per cent agreed charge, not 85 like they have in New Brunswick. We give everything to the railway.

MR. COOPER: I understand, also, that competitive rates are in effect with respect to movements of potatoes to certain areas in Nova Scotia?

MR. ROGERS: That is right. Those are what we call local shipments, you know, between here and certain Nova Scotia points. We ship about, I think, roughly, if I can remember the -- I try to keep these things in my mind -- I think we ship about 1,100 cars to Nova Scotia which is a fair amount of business for the railway.

MR. COOPER: They all move under these competitive rates?

MR. ROGERS: Well, they didn't sir, until the potato rates came into effect last Spring.

MR. COOPER: I believe that came into effect in March of 1959?

MR. ROGERS: That is right, this year, yes.

MR. COOPER: Those rates are now satisfactory?

MR. ROGERS: Yes, I think those rates are very satisfactory and beneficial to the railway as well as to ourselves; it is a matter of co-operation between the railway and ourselves over here.



MR. COOPER: That is all I have.

THE ACTING CHAIRMAN: Mr. Rogers, under your agreed charge the rates were not increased by the recent Board order at all?

MR. ROGERS: No sir, they were not increased.

THE ACTING CHAIRMAN: Was there any request made by the railways?

MR. ROGERS: Yes, there was.

THE ACTING CHAIRMAN: But you refused?

MR. ROGERS: Well, I wouldn't say that we refused; we didn't like it.

THE ACTING CHAIRMAN: And you didn't do it, anyway?

MR. ROGERS: Well, it was done by mutual agreement; we put up our side to the railway officials and Mr. McCoy and others, and they put up their side, and while I wouldn't go so far as to say that we decided our side was right, but they agreed with us.

THE ACTING CHAIRMAN: Well, that is a happy ending.

MR. ROGERS: Oh yes. We find if we talk things over we can usually arrive at a solution.

THE ACTING CHAIRMAN: Any other questions?

MR. BOYD: Under the circumstances, I will not ask any questions, but I would like to introduce to the Board the man responsible for the favourable comments which we have had; Superintendent Greenough, who is the man who deserves



all the plaudits which we got from the witness.

MR. GREENOUGH: With all due respect to Mr. Boyd, I will not accept all the responsibility for the favourable remarks by Mr. Rogers, but I thank you.

THE ACTING CHAIRMAN: Well, that is all; thank you very much, and thank you again for the splendid leadership you gave us yesterday.

MR. ROGERS: It was a pleasure.

THE ACTING CHAIRMAN: And the splendid turkey sandwiches which we had at Borden.

MR. ROGERS: Well, I heard some remarks about those turkey sandwiches, that there wasn't mayonnaise, and a lot of other things, and I told them not to put anything on them and wanted them to be a pure product and an example of what we produce here.

THE ACTING CHAIRMAN: Mr. Campbell?

MR. CAMPBELL: May it please you, Mr. Chairman, after the remarks that have just passed, I think it an appropriate time to express on behalf of the government of this province our regret that Mr. Charles L. McCoy is attending what may be his swan song at freight rate inquiries after 40 years of service, and we wish to express to him our appreciation. I don't mean only for today.

THE ACTING CHAIRMAN: Well, I think we might adjourn and stretch our legs for five minutes.

--- Recess.



THE ACTING CHAIRMAN: Gentlemen, if you will come to order. The next brief is from the truckers and I understand Mr. Dickey is here.

MR. CAMPBELL: I understood from Mr. Dickey that Mr. Keith MacKinnon would present the brief.

MR. COOPER: Mr. Chairman, while we are waiting for Mr. Dickey, there was some information which I thought the Commission might have with respect to submissions by the province of Prince Edward Island. I would like if possible for Mr. Campbell to indicate to the Commission the source of his statistical information as contained in the schedules to the provincial submission.

MR. CAMPBELL: I am calling a witness for that.

MR. DICKEY: I am just wondering -- we do not want to butt into the presentation of the province --

THE ACTING CHAIRMAN: Have you any more witness, Mr. Campbell?

MR. CAMPBELL: Oh, yes.

THE ACTING CHAIRMAN: Perhaps we will have them.

MR. CAMPBELL: Then I will call upon Mr. Donald MacDonald.

MR. CAMPBELL: I believe you were formerly the Chairman of the Potato Marketing Board of Prince Edward Island and now you are in business on your own or at least you are the manager of the Producers Co-operative Association?



MR. MacDONALD: Yes.

MR. CAMPBELL: And in the first place there is a reference in our Government brief at page 12 and running over to page 13 concerning difficulties where nearly everything is not exactly rosy in the Canadian National Railways, difficulties that you had in connection with settlements of claims. Would you care to make a statement in that connection?

MR. MacDONALD: Gentlemen, our experience and I believe it is the experience of most shippers in the province regarding claims has, in many cases, not been entirely satisfactory. We particularly object to the long delays experienced before those claims are processed and sometimes in the manner in which they are determined. For instance, last February a carload of turnips which our company shipped to New York was frozen in transit. A claim was filed just as soon as all the pertinent evidence could be obtained and we have waited until today for settlement of that claim. Seven months we feel is entirely too long.

THE ACTING CHAIRMAN: Do I understand it was settled today?

MR. MacDONALD: I have been advised that the cheque arrived in this morning's mail.

MR. BOYD: Sheer coincidence, Mr. Chairman.

COMMISSIONER BALCH: When did you submit that claim? How long did it take you to submit the claim?

MR. MacDONALD: April 17 the claim was filed in 1959.



COMMISSIONER MANN: Mr. MacDonald, this was a damage claim, was it?

MR. MacDONALD: Correct, sir.

COMMISSIONER MANN: On a carload of turnips frozen?

MR. MacDONALD: Yes.

COMMISSIONER MANN: The claim was duly acknowledged by the Canadian National when it was filed? It was acknowledged as having been received by them?

MR. MacDONALD: Yes.

COMMISSIONER MANN: Was there any correspondence that ensued out of this?

MR. MacDONALD: Yes.

COMMISSIONER MANN: And was the claim turned down in the first instance?

MR. MacDONALD: This particular one was not.

COMMISSIONER MANN: This was not?

MR. MacDONALD: No.

COMMISSIONER MANN: What in your opinion held it up?

MR. MacDONALD: I do not know.

COMMISSIONER MANN: Do you know where the hold-up was, was it at the regional freight claims office?

MR. MacDONALD: All our correspondence was with the Claims Department in Moncton.

MR. CAMPBELL: It just occurred to me, was that April, 1959 or 1958?



MR. MacDONALD: 1959. In another case a car of potatoes frozen somewhere between Souris and Charlottetown last December was rejected on the first day of October, 1959. That was a very substantial claim. I have the file on it here and the relative evidence was to the effect that the temperature at loading time in the car was sufficiently high, the goods were in good condition, when loaded into the car. But, when unloading at Charlottetown on the 26th of December took place the car was frozen. All the supporting evidence was supplied when the amount of damage could be determined the last of March. As a reason for rejection the Claims Department finally took advantage of the C.N.R. special arrangement tariff C.R.200 Item 165, paragraph 14 which reads as follows:

"It is the duty of the shipper or consignee, to give necessary attention to heaters at loading point and after notice of arrival at destination, but after arrival at destination, unless written instructions are received to the contrary, carriers will continue to supply heater service in accordance with the billing, on railway team tracks, their employees acting solely as agents of shipper or consignee and without any responsibility whatever on the part of the railway company. Regular tariff charges will be made for the service."



I submit, gentlemen, that that provision is unfair, because while you are paying for service those providing the service should be responsible for the effect of the service provided.

THE ACTING CHAIRMAN: Well, they denied liability on the basis of the condition of the contract?

MR. MacDONALD: That is right.

THE ACTING CHAIRMAN: And the denial stands and no action in the courts has been brought?

MR. MacDONALD: Not up to the present time.

THE ACTING CHAIRMAN: You still have that remedy?

MR. MacDONALD: We still can use the courts which is certainly another solution.

THE ACTING CHAIRMAN: Well, we must not reject the courts, you know.

MR. MacDONALD: No, but I submit that the provision of the clause is basically unfair.

THE ACTING CHAIRMAN: Well, did you know of that clause when you entered into the contract of carriage with them?

MR. MacDONALD: No.

THE ACTING CHAIRMAN: Was it part of the contract?

MR. MacDONALD: I do not know whether it is part of the contract or not.

THE ACTING CHAIRMAN: Apparently it is.

MR. MacDONALD: From the fact that the Claims Department is using it to escape liability.



COMMISSIONER ANSCOMB: Could I ask this just out of curiosity? As a matter of fact, irrespective of all these legal arguments, who let the heat down?

MR. MacDONALD: We have every reason to believe that the heat went down while the car was under the care and control of the carrier.

COMMISSIONER ANSCOMB: At the end of destination? Never mind whose control, but was it at the end of destination or en route?

MR. MacDONALD: Somewhere from the time it was loaded until it was unloaded.

COMMISSIONER ANSCOMB: That is obvious but I am trying to find out at what point.

MR. MacDONALD: On Canadian National cars we would find out by getting temperature readings daily, but this happened to be an American refrigerator on which there is no reading and we could not find out what time the damage occurred. I asked the railway people for daily temperature readings on the car and they could not supply it.

THE ACTING CHAIRMAN: Well, there are questions of fact as well as questions of law involved and I think the courts will probably have to settle these questions. Your complaint is with the Claims Department of the railway?

MR. MacDONALD: That is correct. Settlements are too long delayed and provision such as this one of which I have read to you are basically unfair by the very nature of them.



COMMISSIONER BALCH: Do you ship many cars?

MR. MacDONALD: Our company ship about 1,000 cars a year, 400 by boat and 600 by rail.

COMMISSIONER BALCH: How many claims have you had, just one or two?

MR. MacDONALD: We usually have a dozen or more a year, some large and some small.

COMMISSIONER BALCH: It is not just the odd time that you find this happens? It usually gets through pretty well?

MR. MacDONALD: Generally speaking the percentage of claims in relation to the overall movement is not heavy but when it does occur we feel they should be handled expeditiously. I think that is about all in relation to claims.

MR. CAMPBELL: Have you a statement to make regarding the rate to United States points?

MR. MacDONALD: Island potato shippers feel that most rates or practically all rates to United States destinations are so high that they are almost prohibitive. I would give you an example: It costs 76 cents per hundred pounds to move potatoes to Windsor, Ontario; it costs us \$1.49 if we bill them to Detroit which is right across the river; it costs us \$1.26 to bill them to Lexington. That is one example and it applies generally to shipments by rail to United States points. As a result of this rail movement it is getting very, very small, in fact I believe there were only about 92 cars from the Island reached



the United States destinations by rail last year.

COMMISSIONER ANSCOMB: Could I have those figures again? Seventy-six cents to Windsor?

MR. MacDONALD: Yes.

COMMISSIONER ANSCOMB: And \$1.49 to Detroit?

MR. MacDONALD: Yes.

COMMISSIONER ANSCOMB: That is if you ship them direct in either case?

MR. MacDONALD: That is right.

COMMISSIONER ANSCOMB: Would you tell me what would happen if you shipped to Windsor, stopped there and then re-shipped to Detroit?

MR. MacDONALD: Re-shipped by rail to Detroit?

COMMISSIONER ANSCOMB: Yes.

MR. MacDONALD: It would be higher still, I presume.

COMMISSIONER ANSCOMB: Well, I want to know.

MR. MacDONALD: Thirty cents to Detroit, then it would cost \$1.06.

COMMISSIONER ANSCOMB: Then you can ship it for 76 cents to Windsor and then 30 cents to Detroit and the rate directly to Detroit is \$1.49?

MR. MacDONALD: Yes.

COMMISSIONER ANSCOMB: You obviously would not ship direct to Detroit?

MR. MacDONALD: No. Very often we have to ship by rail to Windsor and make use of truck



distribution from Windsor. The same thing applies on shipments from the Island to New York state. In a great many cases now we have been shipping to Canadian destinations and move them by car to the final destination.

MR. CAMPBELL: Have you a statement in respect to --

THE ACTING CHAIRMAN: Mr. Mann has a question.

COMMISSIONER MANN: Mr. MacDonald, we have been doing a little bouquet throwing to the C.N.R. this morning and perhaps you might want to throw them a conditional bouquet. I know we are all hopeful that the industry in Prince Edward Island will be able to reach at least some of the seaboard destinations of the United States at materially reduced rates if certain action taken on your behalf is coming through. This unfortunately has not yet come through but you and I know the mistake of the delay was not due to the Canadian National in this case but rather to the United States carriers. I think you will agree with me in that?

MR. MacDONALD: I understand that to be correct.

COMMISSIONER BALCH: It is the United States carrier that is causing the delay?

COMMISSIONER MANN: That is right. The final decision could not be made because the American carriers have not concurred in a proposal made by



Canadian National.

COMMISSIONER BALCH: The railway men get a higher rate of wages over there, that is the reason.

COMMISSIONER MANN: I would not know.

MR. MacDONALD: Mr. Mann, this as you know has been under discussion for a number of months and has not been put into effect as yet and even when it is put into effect it will be of considerable effect. However, with the turnip rate, for instance, to New York of \$1.10 a hundred pounds on a product whose basic value is only about 55 to 60 cents a hundred pounds is almost prohibitive as far as our shippers are concerned and the producers.

THE ACTING CHAIRMAN: Is there anything else?

MR. COOPER: Mr. MacDonald, the rate to Windsor of 76 cents, that is an agreed charge?

MR. MacDONALD: Yes.

MR. COOPER: You have been speaking I think of proposed rates, rail rates to eastern United States destinations?

MR. MacDONALD: Yes.

MR. COOPER: And it is information with respect to those proposed rates contrasted with the present rates contained in schedule 4, page 50 of the brief of the province?

MR. MacDONALD: That is right.

MR. COOPER: What stage has the proposed rail rate reached in negotiation to the various points there shown?



MR. MacDONALD: I sometimes wonder. We had hoped, on information available around the summer, that the rate might be in effect for this season's market, but there was a letter received, written on October 6th, from the railway company which states:

"Gentlemen, referring to my conversation last week with Mr. Thompson regarding carload rates on turnips from Prince Edward Island origin to destinations in New England States.

We have been advised by our Rate Department in Boston that there is nothing new on these rates. However, we will keep this before us and if anything develops we will immediately advise you.

We simply hope that these new rates will be put into effect at the earliest possible moment."

MR. COOPER: As set out in the columns "Proposed" on page 50 of the provincial brief?

MR. MacDONALD: That is correct.

MR. COOPER: Thank you.

THE ACTING CHAIRMAN: Mr. MacDonald, the agreed charge you had to Windsor, for instance, was not subject to the last increase in rates?

MR. MacDONALD: Our agreed charge contract has not been increased since the original date



the contract was signed, in March, 1954.

THE ACTING CHAIRMAN: So you have had no increases on that agreed charge?

MR. MacDONALD: Not to the agreed charge.

THE ACTING CHAIRMAN: Thank you. Mr. Boyd.

MR. BOYD: Mr. MacDonald, the rate to Windsor is a 76-cent rate.

MR. MacDONALD: Yes.

MR. BOYD: That is a rate subject to the M.F.R.A., is it not? That is 70 per cent of the rate; isn't that correct?

MR. MacDONALD: Subject to the agreed charge?

MR. BOYD: No; subject to the M.F.R.A.?

MR. MacDONALD: Yes.

MR. BOYD: So the 76 cents is what the shipper pays?

MR. MacDONALD: Is what the shipper pays, yes.

MR. BOYD: But in addition to that there is a 30 per cent contribution from the federal ...

MR. MacDONALD: Yes.

THE ACTING CHAIRMAN: The 76 cents is just paid by the shipper?

MR. MacDONALD: Yes.

MR. CAMPBELL: I now present Mr. Lincoln Dewar.

THE ACTING CHAIRMAN: Yes, Mr. Dewar.



MR. CAMPBELL: Mr. Dewar, you are the Secretary of the Prince Edward Island Federation of Agriculture?

MR. DEWAR: Yes.

MR. CAMPBELL: I believe you have a statement to make to this Commission.

MR. DEWAR: Yes. Mr. Chairman and Commissioners, as Mr. Campbell has stated my interests are primarily agricultural.

It is, perhaps, hardly necessary to state to this Commission that agriculture has had, and for a long time, a very important stake in transportation in the country. With the possible exception of the Intercolonial Railway most of the railways in Canada had their genesis in agricultural farm land. Our railways were built for the primary purpose of moving surplus food from one part of the country to the other.

Now, agriculture -- and this is true right across Canada, and particularly true in this province -- is a very important customer of the railways of Canada. While the industry constitutes possibly only about 17 per cent of the population yet it provides, directly and indirectly, somewhere in the vicinity of one-third -- perhaps 25 per cent -- of the total railway business in this country, and for that reason we have a very important interest in freight rates, in railway policy and also in express rates.

Our Premier mentioned the effect of a



reclassification of express rates last year as they applied to livestock. Now, while the rate on livestock was not raised the classification was changed and that had the effect of increasing the rate by approximately 50 per cent.

Now, so far as horizontal freight rate increases and their application is concerned I would submit, gentlemen, that these bear with particular effect, and with particular hardship, on the agricultural industry. To begin with, most of our agricultural products are heavy and bulky in relationship to their value. Then, in addition to that, the average haul of agricultural products and supplies used in agriculture is very, very much longer than the average haul for most other commodities.

Now, I am not sure I am making myself clear on this point, but farm products are usually shipped greater distances than are the products of other industries, and many of the supplies which agriculture buys are hauled great distances. I am thinking particularly of farm implements, for example -- and this is true not only here in the East, but also in the West as well; most of the farm implements are heavy and the freight charges on them are high -- the cost of moving them is high.

Perhaps I might illustrate it by a personal experience. I had occasion to buy a rather large machine which was shipped from Guelph,



Ontario. It weighed one ton. At that time the freight charge was approximately \$40. Now, my Ontario farm friend, with whom I am in competition, would probably have been able, in many cases, to back his truck up to the warehouse in Guelph and take the machine away. Now, if the freight charges are increased on that by 10 per cent, or 20 per cent -- we will say 10 per cent as an easy number -- that will add to the cost of my machine an additional \$4 which very likely would not be added on to the Ontario farmer's cost at all; because I think it should be emphasized that in a great many cases these horizontal freight increases are permissive in nature; they are not mandatory. The railways are free to apply these increases where competition will permit, and generally in Ontario and Quebec the competitive climate is considerably hotter than it is in this part of the world.

Now, it is not my intention, gentlemen, to make a lengthy statement. I was asked to mention those points with respect to the effect of horizontal freight rate increases on agriculture. Personally, gentlemen, I feel that agriculture, particularly in this part of Canada, must be afforded some relief from the effects of continually increasing freight rates on a horizontal basis.

I think, gentlemen, that is all I have to say.

THE ACTING CHAIRMAN: That is, Mr. Dewar, you are involved in the cost squeeze down here, too?



MR. DEWAR: Yes, definitely.

COMMISSIONER PLATT: Just one small point, Mr. Dewar. I believe, if I heard you correctly, you stated that, in your opinion, approximately one-third of the business of the railways was done with the farming industry. I would be interested to know the source of that?

MR. DEWAR: My source is a brief presented to the Board of Transport Commissioners on the occasion of a demand, or a request, for a rate increase of 10 per cent on October 16, 1957; and this brief states, in effect, that it was 10 per cent. This is the brief of the Canadian Federation of Agriculture.

THE ACTING CHAIRMAN: I think that was Dr. Hope?

MR. DEWAR: Yes. Dr. Hope prepared this brief for the Canadian Federation of Agriculture, and it states:

"36 per cent of the total increased revenues resulting from any increase in rates, if granted, would, at a conservative estimate, be paid directly or indirectly by the farmers, while only 17 per cent of the Canadian population live on farms."

COMMISSIONER PLATT: That is what I wanted to know.

THE ACTING CHAIRMAN: And Dr. Hope is the economist?



MR. DEWAR: He was the economist. He is dead now.

THE ACTING CHAIRMAN: I didn't know that he had passed away.

Have you any questions, Mr. Cooper?

Mr. Boyd? Mr. Smith?

Thank you, Mr. Dewar.

MR. CAMPBELL: I now present Mr. Walter Wilson of Canada Packers.

MR. WILSON: Mr. Chairman and Members of the Commission, I would like to bring to your attention the matter of lower export rates on potatoes going to the United States by Halifax and Saint John.

In view of the steady increase in truck traffic of potatoes (including seed) from the northern areas of the United States to those in the south, it is important to the seed potato industry of Prince Edward Island that export freight rates from Prince Edward Island to the ports of Halifax, N.S. and Saint John, N.B. for furtherance to U.S. ports be reduced to what they are to South American ports. And that refrigerator car detention and demurrage rates also be made the same.

This would help Prince Edward Island meet competition especially in that section of the United States - the Carolinas and Virginia - that requires delivery of their seed potatoes during the period from late December until mid-February.

In the past these markets have, much



against their wishes, accepted delivery of their requirements earlier in the year, when it was still possible to make direct shipment from ports in Prince Edward Island. This involved expense to the buyer and very frequently deterioration to the potatoes before planting time so the trade now insists on delivery being made at the proper time.

This would result in more business for the railway and of a nature that will enable them to have better control of their refrigerator car supply.

THE ACTING CHAIRMAN: Now, do I understand, Mr. Wilson, that you say a special export rate to South America?

MR. WILSON: As against furtherance to the United States, at least five to six cents per hundred.

THE ACTING CHAIRMAN: There is no rate to the West Indies?

MR. WILSON: Some points in the West Indies, too.

THE ACTING CHAIRMAN: But there is not a rate for export, period! I mean for export to a particular point?

MR. WILSON: You mean going out of Halifax?

THE ACTING CHAIRMAN: South America is lower?

MR. WILSON: Five or six cents a hundred lower than the United States, and there is also a



big difference in the free time and the detention and the demurrage.

THE ACTING CHAIRMAN: Any other questions?

MR. CAMPBELL: Mr. Chairman, I have neglected to ask Mr. Wilson his position with Canada packers. What is your position with Canada Packers?

MR. WILSON: I am in charge of the credit department.

COMMISSIONER MANN: I have a couple of questions. You mentioned you think there is competition for P.E.I. potatoes in the southern United States because the northern sections of the United States are able to ship to the south by truck; would you by any chance know whether that is due to the agricultural exemption that is allowed in the United States under the Interstate Commerce Act and the privileges that permit the operation of what we call in transportation gypsy traffic.

MR. WILSON: Yes, I would say that trucking is done -- considerable of it is done by trucks that move citrus fruits north and even to Canada, maybe, and on the way back they will pick up a load of potatoes and take them down at a special rate, and they get the potatoes down there a day or a few days before the potato planters in the south are going to use them or are going to need their potatoes.

COMMISSIONER MANN: We have heard, Mr. Wilson, in Fredericton, we heard a submission by



the New Brunswick potato interests who asked us to look at the situation with regard to export of potatoes there and who felt that the export of potatoes could be encouraged from New Brunswick if the rail rates were lower, and that they were in competition with their colleagues in Maine, and the situation you found is somewhat similar. Do you feel you could increase your export if the rail rates were somewhat lower?

MR. WILSON: I would say yes, it could be.

COMMISSIONER MANN: That is all.

THE ACTING CHAIRMAN: Mr. Cooper.

MR. COOPER: I just want to ask you, Mr. Wilson, if what you are asking for is a reduction on the furtherance rates to countries other than South America to the same level as those furtherance rates to South America.

MR. WILSON: That is right.

MR. COOPER: I refer you, Mr. Wilson, to Appendix "A" of the brief of the Halifax Board of Trade. Perhaps Mr. Campbell has a copy there which he can let you look at.

MR. CAMPBELL: I am afraid I have already loaned it.

MR. WILSON: Yes, I have it.

MR. COOPER: There are rates given through to Saint John and Halifax on export to the West Indies and South Africa, etcetera, at a rate of 32 cents from Borden and export to South America at 26 cents?



MR. WILSON: Yes.

MR. COOPER: As I understand it, what you are asking is that that 32-cent rate come down to 26 cents?

MR. WILSON: That is right.

MR. COOPER: Thank you.

THE ACTING CHAIRMAN: Mr. Boyd?

MR. BOYD: No questions.

THE ACTING CHAIRMAN: Thank you very much.

Are there any other witnesses, Mr. Campbell?

MR. CAMPBELL: Mr. Ernest Reid. Mr.

Reid, you are here in a dual capacity before this Commission in that you are both a shipper of produce and importer of farm equipment?

MR. REID: That is right, sir.

MR. CAMPBELL: And you do business here in Charlottetown. Mr. Reid, I might also say, is my colleague.

MR. REID: Don't hold that against me. Well, Mr. Chairman and gentlemen, I would like to give you some figures on agricultural freight rates with regard to agricultural implements to show the details of the effect -- the actual details of the effect of the increases.

It is true that most of the farming machinery coming into Prince Edward Island is coming from central Canada or, perhaps, the States. Just as an example, we will start with Brantford, Ontario, and in 1948 we find the rate from Brantford, Ontario to Charlottetown was 61-1/2 cents; 61-1/2 cents in 1948. Now, after successive



increases to December 1 of 1958, that rate went up to \$1.53; in other words, a 148 per cent increase.

Now, it is quite true, of course, that we know the rates were adjusted later, but can we take that as the basis on December 1st? They were cut down slightly on this 17 per cent to 10 per cent.

In other words, to P.E.I. from Brantford, 61-1/2 cents becomes \$1.53, an increase of 148 per cent, and in cents it is actually 91-1/2 cents a hundred.

At the same time, suppose the farmer in Chatham, Ontario, bought the same machine from Brantford, his rate in 1948 was 25 cents per hundred and that went up on December 1, 1958, to 62 cents, and he, of course, had the same percentage increase, 148 per cent, but his total cents increase was only 37 cents as compared to our 91-1/2.

Now, gentlemen, we think down here this is a very serious problem. I think you will agree that with the conditions as they are in Ontario, with the raw materials and so on, that it is natural that the industry will gravitate to those places. We are penalized somewhat by geography, but we believe that your Commission can correct some of those obvious handicaps.

THE ACTING CHAIRMAN: Well, what you are pointing out now is that the normal traffic bears itself?

MR. REID: Yes.

THE ACTING CHAIRMAN: Whereas traffic that goes under agreed charge doesn't necessarily



bear the increase?

MR. REID: That is right. We have the same situation in potatoes, of course, too. We mentioned this. Now, we find our new charges are very good. The only suggestion I would make there is that they should be extended.

Just the other day I shipped a car of potatoes to Sault Ste Marie and the rate was 89 cents a hundred, which is a fair rate, but the next day I shipped two cars to Jamestown, Ontario, and the rate was \$1.29 on the inside zone and \$1.40 on the outside zone, and you gentlemen know where Jamestown is, milewise it is hardly any further than Sault Ste. Marie was so, in other words, we should have this extended somewhat.

At this time of year, too, we always have western friends that somehow like our P.E.I. turnips, so I wrote to my friend in Winnipeg and I said, "This is the time you usually buy a few cars of turnips," and we have shipped turnips and potatoes to Winnipeg, Saskatoon, Edmonton, Calgary and Vancouver.

THE ACTING CHAIRMAN: Does that include Regina?

MR. REID: Yes, Regina too; also, Prince Albert.

Now, I find that the rate to Winnipeg on turnips is \$1.70 a hundred; to Saskatoon it was \$2.14 a hundred and to Edmonton \$2.26 a hundred. Now, you can imagine the poor farmer's problem



here, only paying 40 or 50 cents a bushel for turnips and then to pay \$1.13 a bag freight on that 40-cent article.

A few years ago we shipped, I would say, at least 50 cars to Vancouver and I remember that distinctly because it was a very sad problem; I remember there were about 1,300 in the car and the turnips were very bad when they got there and we lost about \$1,000 on the car, but at any rate, the rate to Vancouver is \$3.53 a hundred. Now, you may say, "There is no future in shipping that distance, but I want to point out that there is a need and in order to make this a great Canada perhaps we should have access to that market as well.

Places like Fort William, Ontario -- I came across that yesterday -- the rate there is \$1.27 and I think it should be an agreed charge, too, it should be more in the vicinity of less than \$1, and I think it should be 97 cents.

Now, someone mentioned this morning competitive rates to the Maritimes and the indication was put out that these were general, and I would like to point out that they are not; not all places are covered. We had a rate to Sydney last year of 60 cents, and when that 17 per cent came in that rate went up to 72. Now, the average person in Canada might say that the railways are going to increase their revenue by increasing their freight, but it doesn't work out exactly that way. There is a maximum that the trade will



stand. That 72-cent rate cut the railway shipment terrifically, so that last Spring they were cut down to 53 cents a hundred.

THE ACTING CHAIRMAN: It has reached the saturation point?

MR. REID: The law of diminishing returns.

COMMISSIONER ANSCOMB: What is the answer?

MR. REID: There is only one answer to my mind, and I think you will agree that you can't increase that rate further to Sydney; you can't increase to Montreal. In other words, I think we must face the fact that the railways will have a deficit, but they can't correct that by increasing the rates, but the deficit should be borne by letting the whole of Canada bear that deficit.

COMMISSIONER GOBEIL: Mr. Reid, excuse my ignorance on this, but are turnips not grown somewhere else besides P.E.I.?

MR. REID: Oh yes, and they also grow potatoes.

COMMISSIONER GOBEIL: And they grow some in Ontario?

MR. REID: Yes.

COMMISSIONER GOBEIL: And still you can't compete with Ontario for western markets?

MR. REID: They like ours better. The same applies to potatoes, too. Now, that is the important thing; we are in competition with every other part of Canada. I was down in Leamington,



Ontario, and the farmers there are 240 miles from Toronto, and their truck rate to Toronto is about 35 cents a bag.

COMMISSIONER GOBEIL: With a reduction to the western parts?

MR. REID: It wouldn't be very much, no more than 10 per cent.

COMMISSIONER GOBEIL: And in the Maritime times?

MR. REID: There is very little market here; it is mostly to Boston, if we can get in there. What happens is that Ontario is actually in a better position for turnips than we are. Our rate to New York is \$1.06 and \$1.10, but the Ontario people who truck by truck it is about 25 cents a bag and they give overnight service.

COMMISSIONER ANSCOMB: Can you, as a businessman, hope to compete in growing potatoes in P.E.I. as compared with Vancouver; that is, shipping to Vancouver which is 4,000 miles from here?

MR. REID: No, we can't in general compete, we can't compete with this handicap on the freight rate, but if our freight rate were down --

COMMISSIONER GOBEIL: Well, what about growing them in Vancouver and wanting to ship them to P.E.I.? I want to see what this is about, that is what this Commission has to solve and I am trying to get into my mind how a farmer from



your end ship any product 4,000 miles that can be produced at the other end under almost similar conditions, despite the fact your quality may be much better than theirs?

MR. REID: I quite agree. I think the basic problem is that we can never get into any market where the freight rate alone is higher than the cost of production. The tendency is to grow things as near as possible to the market. I would say there is no continuing future now, sir, in trying to go to Winnipeg, but I think that the main thing that this Commission should do for us is to ensure that we get in a better position in our main market, which is central Canada.

COMMISSIONER ANSCOMB: Where the greatest population is?

MR. REID: Yes. There is no future in the other places because of the high rates, so they have to be cut down.

THE ACTING CHAIRMAN: Mr. Mann?

COMMISSIONER MANN: Mr. Reid, you gave us some figures on rate changes on inbound farm machinery from Brantford, could you tell us how you buy this machinery? Is it bought f.o.b. Brantford?

MR. REID: Yes, f.o.b. Detroit or Brantford.

COMMISSIONER MANN: And this is the same terms as available to farmers in the United States or Ontario?



MR. REID: Yes, it is the only standard the company could have would be f.o.b. the plant.

COMMISSIONER MANN: The agricultural machinery companies do not attempt to equalize their freight rate on a given point?

MR. REID: No, absolutely not. They would have to issue a tariff covering every centre in Canada.

COMMISSIONER MANN: Have you ever brought any farm machinery from Brantford to Charlotte-town by truck?

MR. REID: No, sir.

COMMISSIONER MANN: Is it possible to bring it in by truck at all?

MR. REID: Well, it is possible. You would not call the Maritime Forwarders truck?

COMMISSIONER MANN: No.

MR. REID: That is part of the rail system?

COMMISSIONER MANN: Yes.

MR. REID: It is possible.

COMMISSIONER MANN: It has not been done?

MR. REID: Our carload rate in other words is usually better than l.c.l. rate.

COMMISSIONER MANN: Thank you very much.

THE ACTING CHAIRMAN: Mr. Boyd?

MR. BOYD: No sir, no questions.

MR. SMITH: No questions.

THE ACTING CHAIRMAN: All right, thank you Mr. Reid.



MR. CAMPBELL: I would like to call Mr. Rogers again if I may to identify the sources of the schedule.

MR. ROGERS: Schedule 2-A was compiled by our department in co-operation with the Canadian National Railways and Maritime Central Airways.

Schedule 2-B was compiled in co-operation with Northumberland ferries, Captain Hunter who spoke this morning and ourselves. Schedule 2-C is compiled by ourselves, again in co-operation with the Canadian National Railways from their own figures. The same thing applies to Schedule 2-D. In connection with Schedule 2-D at the bottom it says:

"We use approximately 11,000 refrigerator cars per year."

This morning I understood your question meant how many carloads of potatoes we shipped whereas I gave it to you in bushels. From memory for the crop year ended July 31, 1959 we shipped by rail 10,049 cars -- that would be for the 1958 crop. The crop year ends, as I mentioned this morning, on July 31 which is different to the calendar year.

THE ACTING CHAIRMAN: The same as the wheat year?

MR. ROGERS: That is right. The year before for the same date of July 31 we shipped 11,025 cars by rail of potatoes.



THE ACTING CHAIRMAN: Was the 1959 crop a big or short crop?

MR. ROGERS: It was not quite as big as the previous one. The crop varies some from year to year the same as your wheat produced per year varies. In connection with the whole question of refrigerator cars and on that we co-operate very closely with the railway, we use approximately 13,000 refrigerator cars per year on the average and that includes meat, butter, eggs, cheese and turnips and other perishable products. I hope that answers the question you asked this morning.

Schedule 2-E we secured from the Dominion Bureau of Statistics. We get the statistics from them the same as the railway does every month. Schedule 2-F was made up by myself from the figures which we worked with the C.N.R. on. They are authentic figures.

Schedule 2-G we received from the Maritime Central Airways with whom we also co-operate, in fact, we have great co-operation between all the services, the railways and airways, buses and ferries.

Schedule 2-H was taken from the Dominion Bureau of Statistics, the Motor Transport Traffic statistics.

Schedule 3, "Scheduled surface transportation services to Goose Bay" was very kindly made up for us by the Maritime Transportation Commission.

Schedule 4, "Rail rates on potatoes and turnips from sample Prince Edward Island stations



to illustrative eastern United States destinations was prepared by the Maritime Transportation Commission and we hope we co-operated some with them, and I think we did. As mentioned by Mr. Reid this morning, those rates are not in effect as yet.

Schedule 5, there should not be any doubt about the source of this one, it was taken from the Auditor General's report of Canada of March, 1959.

Schedule 6 was one I picked out of a Charlottetown Guardian on Tuesday, October 13 for Mr. Campbell. All I did was cut it out.

Schedule 7, "Truck competitive rates" of course is taken from the C.N.R. rates that are in effect.

Schedule 8 which is a summary of general statistical information that came from a great variety of sources, the Dominion Bureau of Statistics, the Atlantic Provinces Economic Council report and from a very, very wonderful industrial survey made of Prince Edward Island by the C.N.R. I would like to say that this is the first time the C.N.R. has made a province-wide industrial survey. Of course, we are a small province. Those are the sources of that information. The vehicle and highway data, Schedule 9, is taken from our Prince Edward Island, Department of Public Works.

MR. SHAW: On Schedule 8 on the retail trade, \$72,000, there must be an error there?

MR. ROGERS: That is a terrible error, it is \$72 million -- just a little over that now.



Perhaps I can get over that by saying it is a printer's error. Are there any others?

MR. SHAW: I do not think there are any others.

MR. ROGERS: This Schedule 9, "Vehicle and Highway Data, numbers registered and miles of pavement", that was secured from our Prince Edward Island, Department of Motor Vehicles. That is up to September 30, 1959.

Schedule 10 is the one from the Department of Public Works.

MR. SHAW: On your Schedule 8, Farm Cash Income, that I presume is gross farm cash income?

MR. ROGERS: Yes, that is a very difficult figure to arrive at exactly so we took the figures from the provincial Department of Agriculture, the Atlantic Provinces Economic Council and that I believe is the net farm income as nearly as can be ascertained. There is one point about it I would like to call to your attention and that is not the number of dollars that come into Prince Edward Island from the farm production because we have a lot of other expenses in connection with the shipment and so on which are added.

MR. SHAW: That is gross?

MR. ROGERS: No, that is net to the farmers.

MR. SHAW: Gross.

MR. ROGERS: No, they told us that was net.

MR. SHAW: I would assume that that is



gross.

MR. ROGERS: They told us that was the figure that the farmers received at the farms.

MR. SHAW: It is still gross.

THE ACTING CHAIRMAN: Thank you very much, Mr. Rogers.

MR. COOPER: It is perhaps self-evident that on page 45, Schedule 2-E the "855.017 tons", there is a period in there, and it has bothered me a bit. They should be commas?

MR. ROGERS: Yes, that is right.

MR. COOPER: Throughout?

MR. ROGERS: Yes. I incidentally, I might mention for the benefit of the Commission that so far in 1959 railroad freight carloadings in and out of Prince Edward Island are considerably above what they were the year before. They are going up every year.

THE ACTING CHAIRMAN: You want to keep that going?

MR. ROGERS: Yes, sir.

THE ACTING CHAIRMAN: Any other witnesses, Mr. Campbell?

MR. CAMPBELL: No more witnesses.

THE ACTING CHAIRMAN: Mr. Dickey, if it is all right with you, it is a little late to start, so I think we will adjourn now until 2 o'clock p.m.

--- Luncheon recess.



--- On resuming at 2 p.m.

THE ACTING CHAIRMAN: Will you come to order, gentlemen?

Mr. Dickey, I think you are to be a witness.

SUBMISSION OF
MARITIME TRUCKING ASSOCIATIONS, INC.

Appearances:

Mr. J. Dickey

Mr. Keith MacKinnon

EXHIBIT NO. 24: Brief of Maritime
Trucking Associations,
Inc.

MR. DICKEY: Mr. Chairman, Members of the Commission, I am appearing for the Canadian Trucking Associations Incorporated.

Perhaps, before calling Mr. Keith MacKinnon, who will be the first witness called before the Commission by the Canadian Trucking Association, I might say just a word of explanation on the nature of the Association. I know that it is well known to you, Mr. Chairman and, perhaps, to one or two other members of the Commission, but a brief word of explanation might be valuable for the record.

The Canadian motor trucking industry is organized in all the provinces of Canada, with the exception of Newfoundland, into provincial



or regional associations: the Automotive Transport Association of British Columbia; the Alberta Motor Transport Association; the Saskatchewan Trucking Association; the Manitoba Trucking Association; the Automotive Transport Association of Ontario; the Trucking Association of Quebec; and the Maritime Motor Transport Association which has membership throughout the three Maritime provinces.

These Associations are the active members of the national organization which is the Canadian Trucking Associations Incorporated which has a national office in Ottawa and which represents all these associations in matters of national interest and relating to the policy of the trucking industry in Canada generally.

The Canadian Trucking Associations Incorporated intends to call a number of witnesses at regional hearings of the Commission for the purpose of making factual submissions on matters of interest to the trucking industry generally there, with particular reference to any specific problems that the trucking industry in the particular area in which you are sitting may be faced with. These submissions will be factual submissions, and it is the intention of the Association to make its recommendations and suggestions and submissions of that kind at a later stage at the main hearings of the Commission which will be held, I understand, in Ottawa. So that the purpose of these submissions and evidence which



will be given today, and in other hearings in the Maritime provinces, will be to put before the Commission certain evidence with respect to factual situations which exist.

THE ACTING CHAIRMAN: The conclusions and argument will be made in Ottawa?

MR. DICKEY: Yes, they will be made in Ottawa.

The first witness -- and he is the only witness that the Association will be calling at this hearing in Charlottetown -- is Mr. Keith MacKinnon who is a past president and director of the Maritimes Motor Transport Association Incorporated, and he is the Chairman for Prince Edward Island of the legislative committee of the Association.

Mr. MacKinnon is a gentleman with a long personal experience in the trucking industry. He operates a trucking firm which is one of the pioneers in the trucking industry in the province of Prince Edward Island, and he will now read his brief dealing with one of the major problems of the trucking industry in Prince Edward Island. I present Mr. MacKinnon.

MR. COOPER: The brief submitted by the Canadian Trucking Association Incorporated will be Exhibit No. 24.

MR. MacKINNON: Mr. Chairman and gentlemen of the Commission, I am very happy to be here today to present this bit of information on the



trucking industry here. I am very happy also to have had the privilege of meeting a number of you yeserday, and I trust that what information I have to give you will be considered along with the other material which you are compiling.

The development of the trucking industry in the province of Prince Edward Island has been dependent on the development of paved roads in the province and the provision of adequate means of transporting highway freight vehicles between Prince Edward Island and the mainland.

Truck transportation was primitive until roads were paved between 1934 and 1939 and inter-provincial truck transportation was impracticable until the inauguration of the Wood Islands - Caribou ferry service in 1941 brought ferry charges to a reasonable level.

On this service the rates were set at approximately \$7.50 return for a truck capable of carrying a five-ton load of local goods to Nova Scotia and a similar load on the return trip. This charge included truck and load both ways. This service operated, and still operates, only from May to November, and at that time had a very limited capacity.

It was another eight years (1949) before continued pressure on the C.N.R. officials brought the rates charged at Borden-Tormentine down to the Wood Islands level, made truck transportation economically feasible there and made



truck crossings possible 12 months of the year.

For the record the rate charged by the C.N.R. at Borden for a similar truck with five-ton load prior to 1949 was \$10 each way for the truck, \$10 each way for the use of a railway flat car, plus the L.C.L. rate on the load for a ten-mile haul, about 20 cents per cwt, or another \$20 each way; a grand total of \$80 for the return trip.

By 1950, only nine years ago, winter roads were plowed, we have two ferries at Wood-Islands-Caribou (operating 7 months of the year) and two ferries at Borden-Tormentine operating 12 months. Truck routes were opened up to all shipping points.

Since its early beginnings, the trucking industry has made an important contribution to the Island economy. Fish, potatoes and turnips are being delivered on the Boston market about 24 hours after leaving P.E.I. American-manufactured goods, citrus fruits and vegetables arrive here in excellent condition on the return trip.

A flourishing produce trade has developed with Nova Scotia and New Brunswick and goods are delivered overnight to Sydney, Halifax and Saint John, some for furtherance to Newfoundland and overseas markets. Mainland products and manufactured goods are carried on return for Island consumers.

This same-day delivery between all Island



communities, and overnight delivery between the larger Maritime centers, has brought an ever-increasing volume of freight to the highways. As a consequence, the railways have sharply reduced the rates on P.E. Island potatoes and turnips destined to Halifax and Sydney, and shippers and consumers find a much larger list of manufactured articles, which formerly took a railway class rate, now taking a truck competitive, commodity or volume rate, much lower than the rates which existed before truck competition.

The growth of the trucking business was accomplished by local operators without outside capital, with insufficient working capital, and despite federally-subsidized railway rate reductions of 20 per cent and 30 per cent under the Maritime Freight Rates Act. The impact of the Maritime Freight Rates Act on the competitive position of the trucking industry will be dealt with in greater detail at later hearings of the Commission.

The Turgeon Royal Commission on Transportation reviewed the operations of the Prince Edward Island car ferry service between Tormentine and Borden. At page 173 of its report of 1951, the Commission stated:

"The dependence of the island on the ferry service is such that adequate ferry service must be established, consonant with the reasonable requirements from time



"to time of the traffic to and from the
Island to the mainland."

The car ferries used in the service are owned by the Government of Canada, management and operation being the responsibility of the Canadian National Railways.

The Turgeon Commission concluded that the operation of the Borden-Tormentine ferry service had not been satisfactory in the past and at page 172 of its 1951 report stated:

"The evidence shows clearly:

- (a) that the ferry service has been too closely tied to railway train schedules;
- (b) that the ferry service is regarded by the railway administration as a part of the railway service rather than as a transportation service to the people of the province; and
- (c) that the attitude of the railway with respect to trucks and buses, including the access of these latter to the ferry approaches and the excessive charges made until recently for trucks, is an indication of unsatisfactory conditions."

Although there have been improvements to the ferry service, "adequate ferry service" that is "consonant with the reasonable requirements from time to time of the traffic" is still



lacking. Undoubtedly there will be other submissions made to you in this regard; the following information refers in particular to the experience of the trucking industry.

When, in 1958, one of the motors of the M.V. Abegweit broke down, the ferry was off the run on two occasions for two days each and we were extremely fortunate that replacement was available.

We were also extremely fortunate in that the ferry wasn't off the route for a longer period of time. The work was done in Borden, and it was done fast.

A fire in the boiler room of the car ferry S.S. Prince Edward Island, built in 1917, seriously crippled that ferry and, for a time, reduced carrying capacity. The trip to drydock was followed by a return trip through packed ice. The fight to get through this situation left the older ferry seriously weakened, a condition that may be permanent.

On April 15th, 1959, while the Abegweit was away in drydock, the Prince Edward Island developed a loose propeller blade. Continued operation of the vessel was impossible and it had to be repaired at Borden. The S.S. Scotia II was thus the only ferry left in operation. The railway car deck of the third ferry was not planked to carry motor vehicles and from Wednesday afternoon until Saturday morning not a motor vehicle would have been carried between Borden



and Tormentine had the crippled Prince Edward Island not been pressed into service for one emergency trip.

When the Abegweit and Prince Edward Island returned to service, the Scotia was refitted, the deck planked to carry automobiles and trucks and during the tourist season was put on regular service in an "Improved ferry service for automobiles and trucks".

Up until this time, commercial vehicles were taken on either large ferry on the train deck. There was an oral understanding with the C.N.R. that truck operators would not expect service on trips in which passenger trains crossed, but that on other crossings, if trucks and automobiles were waiting, the railway would limit the movement of railway cars to approximately half the car capacity of the ferry. This worked out to eight freight cars on the Abegweit and six freight cars on the Prince Edward Island. It was also understood that particular consideration would be given to the large number of trucks crossing on the 7.30 p.m. trip from Borden and the 9.15 p.m. trip from Tormentine, with the intention of disposing of all vehicular traffic waiting for these crossings. There have been numerous occasions on which this oral understanding has fallen by the wayside, the loading of railway cars having preference and trucks containing lobsters, meats and other commodities being left at the piers for many hours, sometimes overnight.



When the Scotia was placed in service as the third scheduled ferry, the railway company made no attempt to find out from truck operators what ferry services would be most satisfactory. Even if the railway had been unable to provide the precise service desired by the operators, consultation would at least have ensured that the service would be as close to the operators' needs as the railway was able to make it. When the third service commenced, a ruling was made that passenger automobiles would have preference on the Abegweit and the Prince Edward Island and the trucks would have preference on the Scotia.

Thus the ferry service has been improved, and a heavier volume of traffic has been handled with less delay. Serious problems still face the trucking industry, however. On some occasions trucks have had to wait for three ferry crossings before being transported. This condition has resulted in added costs and has played havoc with inter-provincial truck schedules, undermining a prime advantage of truck service - positive, on-time deliveries. For example, a truck leaving Prince Edward Island in the morning would be at Borden for the first ferry crossing at 7 a.m. If automobile traffic was heavy, the truck would miss as many as three crossings - the Abegweit at 7 a.m., the Prince Edward Island at 8.25 a.m. and the Abegweit at 10.05 a.m. - and would make the crossing on the 10.45 Scotia, arriving at



Tormentine at 11.45 Standard Time, or 12.45 Atlantic daylight time. At night, if automobile traffic was heavy, a truck missing the Scotia's 8.20 p.m. trip from Tormentine would possibly be delayed until the trip at 9.15 a.m. Standard Time the following morning.

At the height of the busy season orders were issued from Moncton that the ferries must leave on schedule, and there were times when a ferry would leave the pier with only the train aboard (and sometimes with not one auto on the lower deck) leaving a full load of automobile traffic waiting. Also at times a boat would leave on time without a full load only to wait in the Strait on the other side for another ferry to vacate the dock.

Finally, during the Fall months the Scotia cannot cross in windy weather. During the last few weeks no trips were made on several days and a few trips were made where it was very uncomfortable for the passengers who have to sit in automobiles on the open deck.

The Northumberland Ferries Limited operates a ferry service between Prince Edward Island and Nova Scotia with termini at Wood Island and Caribou. The S.S. Charles A. Dunning went into operation in 1945 and the Lord Selkirk in 1957. Despite this added carrying capacity, truck operators and motorists are finding it more difficult to cross promptly than



prior to the placing of Lord Selkirk into service. During the past summer, there were many days on which, before noon, Northumberland Ferries Limited advised the trucking interests not to attempt to cross to the mainland during the afternoon as the number of vehicles waiting at the piers would fill the ferries for the rest of the day.

At the final hearings in Ottawa, Canadian Trucking Associations, Inc. will place before the Commission submissions for improving the ferry services from Prince Edward Island to the mainland and dealing with the possible replacement of the ferry service by a permanent crossing of the Northumberland Strait.

MR. DICKEY: I have a few questions on one or two related matters, Mr. MacKinnon. Have the railway companies participated in the highway trucking industry in P.E.I., and if so, to what extent.

MR. MacKINNON: They have established no direct provincial trucking operations, but --

MR. DICKEY: By what means?

MR. MacKINNON: By Canadian National transportation.

MR. DICKEY: The Canadian National Transportation Company?

MR. MacKINNON: That is a subsidiary of the Canadian National Railway.

MR. DICKEY: What about operations on P.E.I.



MR. MacKINNON: Well, they have the routes established to the different points on the Island from Charlottetown.

MR. DICKEY: When you say different points, to what extent throughout the Island?

MR. MacKINNON: Well now, they practically cover the main points on the Island.

MR. DICKEY: And is the nature of their business generally freight service or otherwise?

MR. MacKINNON: I understand so.

MR. DICKEY: Is this in connection with the discontinuance of railway service or otherwise?

MR. MacKINNON: It is in connection with the discontinuance of the mixed freights ~~freight~~ during the summer months; of course, in the winter months the trains stop.

MR. DICKEY: This is a seasonal withdrawal of the railway service from the main parts?

MR. MacKINNON: Yes.

MR. DICKEY: Are there any other operations of a highway nature into the province by other companies related to the railway transportation?

MR. MacKINNON: Yes, Smith Transport Limited, who are a subsidiary of the Canadian Pacific Railway, operate occasionally into P.E.I.

MR. DICKEY: And have they, to your knowledge, any regular entry into the province?

MR. MacKINNON: They have, as far as I know, no direct schedule.



MR. DICKEY: And they have no operation of a general freight nature within the province?

MR. MacKINNON: No, not to my knowledge.

MR. DICKEY: That is all.

THE ACTING CHAIRMAN: Mr. MacKinnon, just for the record, did I understand that the Wood Island ferry is a private enterprise?

MR. MacKINNON: Yes.

THE ACTING CHAIRMAN: Is it not associated with the C.N.R. at all?

MR. MacKINNON: No, it is a private company.

THE ACTING CHAIRMAN: And then you refer on page 2 to carrying to American stations and to return cargo; do you usually have return cargo or do you come back empty?

MR. MacKINNON: My personal operation doesn't include American points, but I am speaking for the trucking industry.

THE ACTING CHAIRMAN: Well, what is the experience of the industry; do they get return cargo, usually?

MR. MacKINNON: I would say at least 50 per cent of the time; it depends on the license they have through the States and the license that the Interstate Commerce Commission has as to what they carry.

THE ACTING CHAIRMAN: Now, you are referring to P.E.I. trucks?

MR. MacKINNON: Yes.

THE ACTING CHAIRMAN: Now you refer on page 5 to some trucks that had to wait for three ferry crossings; would this happen very



ferry crossings; would that happen very often?

MR. MacKINNON: Well, I would like to put it in this way; that we who are travelling continuously and regularly over there, if we can avoid it we don't send out trucks at a time when we would have to wait.

THE ACTING CHAIRMAN: I mean, what do you want here as regards reasonable service; you wouldn't want any service put on this year, you just take care of big loads?

MR. MacKINNON: Yes.

THE ACTING CHAIRMAN: How often would there be an occasion for this?

MR. MacKINNON: Well, right from June, by the time the tourist season starts until on in September there is very heavy automobile traffic and then, of course, at other seasons of the year we have our heavy rail freight movement.

THE ACTING CHAIRMAN: But that would be just at peak times and at certain hours, I suppose?

MR. MacKINNON: Well --

THE ACTING CHAIRMAN: You try to avoid the tourist traffic?

MR. MacKINNON: Yes. The tourist traffic has been quite heavy. In my opinion the ferry service generally is up to capacity; you will never have it filled 100 per cent of the time.

THE ACTING CHAIRMAN: Are your rates regulated by anybody in the Island?



MR. MacKINNON: Not as yet, sir.

THE ACTING CHAIRMAN: Are the rates on the Canadian National Transport regulated?

MR. MacKINNON: Not by provincial authority; if they are regulated they are regulated through the Board of Transport Commissioners.

THE ACTING CHAIRMAN: Do you haul in the province in competition with them?

MR. MacKINNON: Yes.

THE ACTING CHAIRMAN: Are your rates higher or lower than theirs?

MR. MacKINNON: Well, I haven't a comparison here, but in some instances they are lower.

THE ACTING CHAIRMAN: Your rates are sometimes lower?

MR. MacKINNON: Yes.

THE ACTING CHAIRMAN: Have they fixed rates?

MR. MacKINNON: On intraprovincial movements their rates are principally class rates.

THE ACTING CHAIRMAN: Are they fixed on the same basis as rail rates?

MR. MacKINNON: Oh, I would say so.

THE ACTING CHAIRMAN: So I suppose the yardstick would be the equivalent rate?

MR. MacKINNON: Yes.

THE ACTING CHAIRMAN: Yours would be lower?

MR. MacKINNON: Could be lower.



THE ACTING CHAIRMAN: Well, in practice are they lower, or is it a matter of bargaining?

MR. MacKINNON: I would say it is a matter of bargaining, but on a short haul the railway have their terminal expenses, which could be a little higher than ours.

THE ACTING CHAIRMAN: You have spoken of the Wood Islands ferry; how long is that distance?

MR. MacKINNON: It is 14 miles.

THE ACTING CHAIRMAN: Is it longer than the Tormentine-Borden ferry?

MR. MacKINNON: Yes.

THE ACTING CHAIRMAN: Mr. Anscomb?

COMMISSIONER ANSCOMB: Mr. MacKinnon, the Chairman has dealt with your submission on page 5, and I am not quite satisfied with it yet. I can quite understand somebody in Moncton saying, "We start on schedule, so the ferry must start on schedule," but what has been the railway's attitude to moving it even on schedule with no cars on board -- I refer to trucks, but you say no automobiles on board and then we have to get into the dock on another ferry. There must be some answer to this. What has been the railway's answer to that; a ferry of that size to move out empty.

MR. MacKINNON: I don't know the railway's answer; there was a notice which came out that these three ferries that were operating must leave on time.



COMMISSIONER ANSCOMB: I can understand that.

MR. MacKINNON: Now, there are times -- I am not prepared to give dates -- when through unloading or loading railway cars that the ferries didn't pull out on time and I don't think that it was the truck or automobile traffic that would delay the loading of the ferry.

I know of one particular instance, July 17, I think it was the 2.30 trip from Borden that the ferry moved out without any automobiles on it.

COMMISSIONER ANSCOMB: And a lot of angry people left on the dock, I suppose?

MR. MacKINNON: There would be.

THE ACTING CHAIRMAN: One other question; what is the experience of your association with the railways? Do they co-operate or is it a case of armed neutrality?

MR. MacKINNON: There have been some overtures, but I don't think there has been very much done in the way of co-operating.

COMMISSIONER GOBEIL: Mr. MacKinnon, on page 2 you mention -- at the beginning of page 2 -- you mention on the Island-Boston market you have a 24-hour service; how does that compare with the rail market as far as time is concerned?

MR. MacKINNON: I might put it this way; since trucks have been operating on that run they have developed a very good market for P.E.I. fish and the trucks are hauling quite a volume of that



and some of them -- I can't say what the railways are prepared to do with regard to delivery time, but the trucks must get there faster with their service.

COMMISSIONER GOBEIL: v On page 5 you mention that at night if automobile traffic was heavy, a truck missing the 8.20 p.m. sailing could possibly be held until the following morning. There is no ferry at any other time?

MR. MacKINNON: The last trip at Borden-Tormentine is 9.15 p.m. Now, if automobile traffic was heavy, the automobiles would be taken in preference to trucks on the 9.15 and even the following trips the next morning. It is a possible situation that there would be enough automobiles in line so that trucks wouldn't be allowed on the Abegweit at 9.15 to P.E.I. and at 7 a.m., and then the Prince Edward Island comes in at 8.45. That is the situation, that trucks have no priority; the automobiles are given the priority on the two larger boats and the trucks are given the priority on the others.

COMMISSIONER GOBEIL: When you say in the height of the season, you mean the summer season?

MR. MacKINNON: I am referring to the tourist season.

COMMISSIONER GOBEIL: Would you have any idea how many automobiles use the ferry during the season?

MR. MacKINNON: No, I have not. I think possibly Mr. Rogers would have figures on that.



I know at times there would be 50 or 100 automobiles in line waiting to cross.

COMMISSIONER GOBEIL: What I was getting at is, what percentage of cars might be left --

MR. MacKINNON: I am afraid I could not answer that.

COMMISSIONER GOBEIL: During the busy season do you think, as far as you know, that it would be possible to operate night traffic for freight to leave the daytime for car traffic?

MR. MacKINNON: Yes, I think there could be more night crossings made with freight. There is one crossing made now and that is gasoline because of the nature of the product and a special ferry trip is made for regular sailings to handle that commodity so many nights a week. I think there could be more of them after the regular public sailings.

COMMISSIONER GOBEIL: This would mean if there was night traffic for railway freight it might liberate enough in the busy season for --

MR. MacKINNON: It would certainly help.

COMMISSIONER GOBEIL: Do you know why it is not done?

MR. MacKINNON: No, I do not know.

COMMISSIONER MANN: Mr. MacKinnon, I have some disjointed notes which I do hope will not result in disjointed questions. On page 3 of your brief you quote something from the Turgeon Commission, in



paragraph (c) thereof you mention ferry approaches. Could you inform us who owns these ferry approaches? Are they provincially owned or federally owned?

MR. MacKINNON: No, really I can't give you the story on that definitely. I understand that there was some controversy between the bus companies and the C.N.R. over the use of the approaches and there were representations made by, I believe it was under the provincial government or the transport board that this matter has been cleared up.

COMMISSIONER MANN: In answer to a question by Mr. Dickey, I am sorry I did not get this, I did not hear it properly, you talked about the operations of the C.N. transportation. Did you say these were intra or inter-provincial.

MR. MacKINNON: Intra.

COMMISSIONER MANN: There are no C.N. trucks moving intra-provincially between Prince Edward Island and either Nova Scotia or New Brunswick?

MR. MacKINNON: Not to my knowledge.

COMMISSIONER MANN: On page 4 at the end of the penultimate paragraph you talk about trucks containing lobsters, could you make a guess as to the value of the cargo of such a truck?

MR. MacKINNON: No sir, I would not hazard a guess. Mr. Rogers says \$8,000 to \$10,000 per truck.

THE ACTING CHAIRMAN: Mr. Rogers seem to be the source of all the information.



COMMISSIONER MANN: You mention that Smith Transport operates into Prince Edward Island. Would you confirm my understanding that the operators of the Borden-Tormentine ferry do not give preferential treatment to Smith Transport?

MR. MACKINNON: I do not think they would.

COMMISSIONER MANN: That brings me to the end of my questions with the exception of one. You mention at page 2 of your submission the subsidy received by the railways under the Maritime Freight Rates Act. Now, I am looking at the figure of 30 per cent, is it your understanding that the railways get a reduction of 30 per cent from the through rate?

MR. MACKINNON: Well, I understand that on goods exported from the Maritime region they take a reduction of 30 per cent or 30 per cent is paid from the federal treasury on that shipment or shipments as far as Levis.

COMMISSIONER MANN: I think, Mr. Chairman, at this time because it has come up repeatedly both in New Brunswick and here it might be well to put something on the record so as to clarify the situation with regard to the 30 per cent.

THE ACTING CHAIRMAN: I think that could be done and I know of no one who could do it better than you.

COMMISSIONER MANN: It is a rather simple exercise. I noticed Mr. Boyd, I am sure quite inadvertently, this morning mentioned that the



freight rate was 70 per cent. I am sure Mr. Boyd did not mean that. Perhaps the best way to express it is in the way of an example: If you have a rate of \$1, a 30 per cent reduction on traffic from here to, say, Ontario should result in 70 cents if it were indeed a reduction of 30 per cent from the through rate. However, what is in practice done is this: you divide the rate into the proportions which, as you mentioned, Mr. MacKinnon, are attributable to the haul within the so-called selected territory and the proportion of the rate which is attributable to the haul outside the select territory which is beyond Levis and Diamond Junction. Then you reduce the inside proportion by 30 per cent. Now, by way of example, if your rate was \$1 and 50 cents was attributable to the inside movement and 50 cents to the outside movement you reduce the 50 cents attributable to the inside movement by 30 per cent or by 15 cents in this case so that the total rate is arrived at by adding the 35 cents to the 50 cents on the side resulting in a total through rate of 85 cents. That is a little different from the 70 per cent that we heard this morning and I thought I should clarify it.

MR. BOYD: Should it also be drawn to your attention that that only applies to movements into Canada, not into the United States?

COMMISSIONER MANN: Yes, that is correct.

MR. COOPER: Mr. MacKinnon, what are the present rates for trucks moving from Borden to Tormentine and return?



MR. MacKINNON: Well, the rates after 1950 were put on the same schedule as Wood Islands. It is worked out on the length of the vehicle, a certain vehicle up to 18 feet has such and such a rate.

MR. COOPER: What is that rate?

MR. MacKINNON: I cannot give it to you from memory. I will have to read this.

MR. COOPER: Well, has the rate been changed since 1950?

MR. MacKINNON: No sir, they have not. The rate for an 18-foot vehicle is 25 cents per foot return for each additional foot in length so a semi trailer with approximately 35 to 40 feet length the rate return is approximately \$12.

MR. COOPER: That rate has remained the same since 1950?

MR. MacKINNON: Yes.

MR. COOPER: What about single axle vehicles?

MR. MacKINNON: They remained about the same for a single axle vehicle return or just an ordinary freight truck, as we call them, it is approximately \$7.50.

MR. COOPER: That is loaded, of course?

MR. MacKINNON: Loaded or unloaded.

MR. COOPER: Do you or your association keep figures on the volume of traffic which moves by truck within Prince Edward Island?

MR. MacKINNON: No sir. There have been samples made by the Dominion Bureau of Statistics



and that is the one the Trucking Association are looking at so far. We do not know how much we are doing ourselves but it is coming very well now with the help of the Bureau of Statistics.

MR. COOPER: I take it you also do not know the volume which is moving into the province by truck?

MR. MacKINNON: No, I do not.

THE ACTING CHAIRMAN: Referring to the D.B.S. figures on truck volume, you would agree that they are quite imperfect?

MR. MacKINNON: Yes, I would say there was an element there.

THE ACTING CHAIRMAN: Because some people report and some do not.

MR. MacKINNON: It is to our advantage to have those figures and have those reports but it is something we will have to get used to.

MR. BOYD: Mr. MacKinnon, on page 4 of your brief you refer to occasional times that trucks are left sometimes over night.

MR. MacKINNON: Yes, sir.

MR. BOYD: I am instructed that all trucks arriving at the dock before the advertised sailing time of the last sailing are carried that night either on that sailing or, if not on that one, by a special one afterwards. Is that not correct?

MR. MacKINNON: I would say there were a number of occasions when that is not correct.

MR. BOYD: If the trucks arrive at the last advertised time for the last sailing.

MR. MacKINNON: I believe so.



MR. BOYD: Could you give me a recent incident?

MR. MacKINNON: I am afraid not.

MR. BOYD: How far back would you have to go for one?

MR. MacKINNON: I would have to get that information.

MR. BOYD: Do you think Mr. Rogers could help you here?

MR. MacKINNON: He might.

MR. BOYD: It can't happen too often or such instances would be readily available to you, I gather.

MR. MacKINNON: Well, there have been a number of complaints that have been made by the trucking industry and truckers have complaints that were mentioned to me but I have not the dates or particulars.

MR. BOYD: You do have personal knowledge that there are frequent sailings later than the last advertised sailing?

MR. MacKINNON: Yes, this time of year I know that Prince Edward Island is operating pretty well all night.

MR. BOYD: On the same page you say:

"When the Scotia was placed in service as the first scheduled ferry, the railway company made no attempt to find out from truck operators what ferry services would be most satisfactory."



Did you, under the circumstances then approach the railway company and tell them what your ideas were because they did not approach you?

MR. MacKINNON: Well, I think I could probably put it another way. About a year ago when one of the boats was away in drydock the Scotia was not planked in, it could not carry automotive traffic but it was placed into service to help out with the railway movement and the schedule was arranged so that the Scotia left Tormentine in the morning with freight cars and continued to operate for one shift and tied up in the afternoon about 2 o'clock or 3 o'clock. I do not know the exact time of that. However, some of the truckers made the suggestion that if it were possible for the Scotia to work on the afternoon shift instead, starting about noon, and work through to about 6 or 8 o'clock, it might remove the need for freight cars so that trucks and automobiles could be carried. No change was made. I do not know what the reason was. The schedule either was not changed or possibly a second crew put on the Scotia. There is an important movement of railway traffic, livestock, cattle and hogs from Prince Edward Island on the afternoon trips or evening trips although sometimes they are moved around 5.15 on Tuesday or Wednesday evening. We found that a trainload of livestock would be waiting for the 7.30 trip at Borden and in that case automobiles or trucks could not return. This movement of



livestock had to move through so they would be in the packing house the following morning. No change was made by the railway. I do not know whether they had a reason for it or not, but our representations were made through Mr. Rogers, the Prince Edward Island director.

MR. BOYD: You have probably heard the presentation of the province today, and there are several schedules, Schedule 2-C is entitled "1958 Railway Freight Traffic in and out via Borden-Tormentine". Schedule 2-D is the same except it is export. Mr. Rogers in explaining the source of these two schedules said they came from Canadian National sources. Do the truckers provide similar information to the Department of the Federal Government?

MR. MacKINNON: No, not as yet -- not at this time, anyway. There is no requirement that I know of, or really no way to assess the volume of traffic that trucks do.

MR. BOYD: There is no way of doing it?

MR. MacKINNON: Well, I suggest there is always a way; but there is no present method of doing it.

MR. BOYD: Is there any present intention of doing it so far as the trucking industry is concerned?

MR. MacKINNON: Well, there are so many individual companies, and so many small companies, that it is difficult to guess.



MR. BOYD: This complete information as to the railway carryings is available to you?

MR. MacKINNON: Yes.

MR. BOYD: Schedule 7 of the same brief shows the truck competitive rates, and there it sets out the railway rates and the new rates put in to meet competition. Are there truck rates which were met by these railway competitive rates published?

MR. MacKINNON: There is no authority...

MR. BOYD: No requirement?

MR. MacKINNON: There is no requirement.

MR. BOYD: Are they, in fact, published on a voluntary basis by the trucking industry?

MR. MacKINNON: No; I would say that these rates, or the rates that were met by the railway, were probably contract rates between individual shippers and the truck operator.

MR. BOYD: If the truck operators on the Island should voluntarily publish a tariff of his charges would he be bound to comply with that tariff or could he change it at will?

MR. MacKINNON: He may change it at will. Truck regulation is by provincial authority, and, as yet, no authority has been issued by the provincial government here.

MR. BOYD: Just one point: You mentioned about gasoline being carried on the public ferries.

MR. MacKINNON: Yes.

MR. BOYD: That is pursuant to an order



of the Board of Transport Commissioners?

MR. MacKINNON: Yes.

MR. BOYD: For safety reasons?

MR. MacKINNON: It could be.

THE ACTING CHAIRMAN: Mr. Smith?

MR. SMITH: I have no questions.

COMMISSIONER ANSCOMB: I wonder, Mr.

Chairman, if I could ask the representative of the railroad, who was here this morning and who was given a halo -- and I don't want to pierce it -- but I would like to have his view on the question of not why you think the ferries must leave on time -- because that is a logical business -- but why it leaves half loaded. I think he could tell us what exactly this situation is, irrespective of the trucking evidence that has been submitted.

MR. GREENOUGH: Mr. Chairman and Commissioners, do you mind if I ask Mr. Boyd for some advice before I speak?

MR. BOYD: My advice is given out loud -- "Answer the question truthfully"!

MR. GREENOUGH: Mr. Chairman and Commissioners, do you mind if I read a letter, or a directive which I have about the way the ferries should be operated before I try to answer your question?

THE ACTING CHAIRMAN: Surely.

MR. GREENOUGH: On May 25, 1956 this letter was issued over the signature of the general superintendent of transportation. This was shortly after I came to the Division as Superintendent.



The letter says:

"The rail car deck M.V. Abegweit has been completely planked over. In order that there might be no misunderstanding whatever as to the basis on which the rail car deck will be used for highway transport the following instructions will apply:

- (1) The use of the rail car deck for highway vehicles will be permitted only when and up to the extent that it is not required for rail purposes.
- (2) Highway vehicles engaged in transportation of gasoline will be handled only on those special trips when passengers are not allowed, and under the same conditions governing the handling of railway equipment transporting gasoline. This is covered by circular No. 198 of March 22, 1956. Subject to the limitations set out in circular 198 highway vehicles transportating gasoline may be handled on the same trips if rail cars transporting gasoline are being ferried.
- (3) On the special trips when rail or highway vehicles transporting gasoline are being ferried highway vehicles transporting other commodities will not be handled.



"NOTE: Highway vehicles on hand at ferry terminals prior to commencement of loading of rail cars may be accommodated on the rail car decks but not to the exclusion of rail freight traffic. Vehicles arriving after loading of rail cars has started will not be accepted and rail cars will not be removed from the rail deck to make space for such vehicles."

This other paragraph doesn't apply.

I am not sure what Mr. MacKinnon means by the ferries leaving the docks with only a partial load. I spend a good deal of time at Borden, and I try to be fair about things. I know there was the directive this summer that the ferries must leave on time, and I think possibly on one or two occasions the ferries did leave with some space on the ferry deck; but it was only on one or two occasions; and if Mr. MacKinnon is fair about it I think he will agree that was moderated to some extent and it was very seldom -- if there was space on the lower deck trucks were carried on board the Abegweit and the S.S. P.E.I.

The directive which Mr. MacKinnon read was that automobiles on the S.S. P.E.I. and M.V. Abegweit would be given preference, and that trucks would be carried if there was space left on the lower deck; on the S.S. Scotia II trucks were to be loaded on it, and if there was any space then automobiles would be carried on it; and we lived



pretty close to that schedule this summer. If Mr. MacKinnon and his other colleagues here are fair about it they will say that they had a very good service this summer. I am not saying that they haven't some complaints about it, but it is pretty hard to get all the trucks on it. It might have happened this summer on one or two occasions, but on not too many occasions.

THE ACTING CHAIRMAN: Thank you very much.

We have been trying to keep these hearings on a very happy basis, and we are not going to spoil it by having a fight today. I think that you used the term "fair." Might we, as a Commission, recommend that probably keeping in mind the competition and the difficulties and the armed neutrality which, I suspect, may exist, that you, in the future, try to be fairer to one another.

Mr. Mann suggests that there might be a committee of the truckers meet the railways and see if you can't work out and eliminate all the differences that exist.

MR. MacKINNON: Mr. Chairman, I think I should say, in fairness, again, that we find the officials of the ferry at Borden and Tormentine and also Mr. Greenough very co-operative.

THE ACTING CHAIRMAN: Well, we are back to our good, harmonious conditions again!

MR. MacKINNON: There is one point I would like to have, and that is if the authority could be invested at Borden and Tormentine for



decisions rather than to have the matter of, say, loading a boat having to go back through different channels.

THE ACTING CHAIRMAN: You don't want to go to Moncton?

MR. MACKINNON: We don't want to go any further than we have to.

THE ACTING CHAIRMAN: Are there any further questions?

MR. DICKEY: I don't think so. Thank you very much, Mr. Chairman.

THE CHAIRMAN: Thank you very much, Mr. MacKinnon.

Are there any other witnesses to give evidence?

MR. CAMPBELL: If it please the Commission, there is a statement in the brief of the Summerside Board of Trade which seemed to be slightly at variance with the statement to this Commission of the Government of Prince Edward Island. Now, in case any difficulty should arise, it is in respect to the settlement of claims.

I hesitate, again, to ask Mr. Rogers to go on to the stand ...

THE ACTING CHAIRMAN: Well, I believe that matter can be cleared up. And it has been our experience with Mr. Rogers at this hearing that we wonder that one small head can carry all he knows.

MR. ROGERS: Mr. Chairman, thank you for that compliment. I am very surprised at it.



In the matter of these claims and the difference in the statements, the Summerside Board of Trade had a committee, and they called me up one evening to see if I would go up and I said Yes, and the question of claims was discussed. So far as I could ascertain, most of those there said that so far as claims on general merchandise and on express goods are concerned, there isn't very much delay in settling those claims; and I think that is what they meant in there.

THE ACTING CHAIRMAN: That is differentiating between express goods...

MR. ROGERS: ... and general merchandise claims and potato claims on the other hand. It is the potato claims that were slower in being settled. I want to make that point clear in case the Commission thought the entire matter of claims was O.K. But it was merchandise and express claims which, as I said, were fairly quickly settled; but potato claims were a different thing.

THE ACTING CHAIRMAN: Thank you very much, Mr. Rogers.

MR. COOPER: Mr. Rogers, you are referring to the apparent contradiction between what appears as to the settlement of claims on page 4 of the brief of the Summerside Board of Trade and on page 12 of the brief of the province?

MR. ROGERS: That is correct, sir.

MR. COOPER: Thank you.

MR. ROGERS: That is the explanation.



THE ACTING CHAIRMAN: Thank you.

Are there any more witnesses, Mr. Campbell?

MR. CAMPBELL: No.

THE ACTING CHAIRMAN: Is there anybody else here who wants to give evidence?

Well, if there isn't, we are about ready to adjourn. Thank you very much for the assistance you have given us, and, as I said in New Brunswick, we can promise nothing, but consideration will be given to all we have heard here.

MR. CAMPBELL: Thank you, Mr. Chairman.

--- Whereupon the hearing concluded at 3.20 o'clock p.m., to resume at Halifax, on Friday, November 13, 1959 at 10 a.m.

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

HALIFAX

N.S.

VOLUME No.:

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in the
Legislative Chamber at Halifax, N.S.
on the 13th day of November, 1959
at 10 a.m.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Acting Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.
Mr. G. S. Cumming

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary

In the absence of Honourable
C.P. McTague, Q.C., Mr. M.A.
MacPherson, Q.C., presided.



THE ACTING CHAIRMAN: Well, gentlemen, it now being 10 o'clock I think we will come to order.

We are delighted to see so many here interested in the Royal Commission.

To those of you who are here I would present the Members of our Commission: Mr. Balch, on my left from Ottawa; Mr. Gobeil, from Quebec; Mr. Anscomb from Victoria; Mr. Mann, whom you all know, from Moncton; and Mr. Platt, from Lethbridge, Alberta. I come from Regina, but I was born in Cape Breton and educated in Halifax; so that should recommend me somewhat!

I am very sorry, gentlemen, as we all are, that our Chairman could not be here. We were very fortunate to have, as a Chairman, a man of the capacity of Mr. McTague, but unfortunately he is not well at the moment, although he hopes to join us again, and we expect him to join us in Ottawa next month. He will, however, have the opportunity of reading, and will read, the very full transcript of evidence that is being taken on these regional hearings.

Now, we are on this tour for the purpose of ascertaining what representations are to be made by the people of the Maritimes. We have been in Fredericton and we have been in Charlottetown. Now we are in Halifax; and we are going to St. John's.

We could not possibly hope to have a better atmosphere for a Royal Commission than this room; and now we are about to proceed to hear what



is being represented in Nova Scotia.

In all Commissions such as this there is always the danger there may be extraneous questions brought up and, of course, there are some restrictions on us in the Terms of Reference, and what we are required to do and to report on. I would, therefore ask the Secretary, for the information of all those present, to read, from the Order in Council, the Terms of Reference.

THE SECRETARY: Mr. Chairman, I read:

"The Committee of the Privy Council have had before them a report from the Right Honourable John G. Diefenbaker, the Prime Minister, stating that it is in the national interest that a comprehensive and careful inquiry be made with all reasonable despatch into problems relating to railway transportation in Canada and the possibility of removing or alleviating inequities in the freight rates structure.

The Committee, therefore, on the recommendation of the Prime Minister, advise that

Herbert Anscomb, Victoria

Archibald H. Balch, Ottawa

Rene Gobeil, Quebec

M. A. MacPherson, Sr., Regina

Howard Mann, Moncton

Honourable Charles P. McTague, Toronto

Arnold Platt, Lethbridge



"be appointed Commissioners under Part I of the Inquiries Act to inquire into and report upon the problems relating to railway transportation in Canada and the causes thereof, and to recommend solutions thereto, and in particular, without restricting the generality of the foregoing, the Commission shall consider and report upon:

- (a) inequities in the freight rate structure, their incidence upon the various regions of Canada and the legislative and other changes that can and should be made, in furtherance of national economic policy, to remove or alleviate such inequities;
- (b) the obligations and limitations imposed upon railways by law for reasons of public policy, and what can and should be done to ensure a more equitable distribution of any burden which may be found to result therefrom;
- (c) the possibilities of achieving more economical and efficient railway transportation;
- (d) whether, and to what extent, the Railway Act should specify what assets and earnings of railway companies in businesses and investments other than railways should be taken into account in establishing freight rates; and



"(e) such other related matters as the Commissioners consider pertinent or relevant to the specific general scope of the inquiry.

The Committee further advise:

1. That the scope of this Commission shall not extend to the performance of functions which under the Railway Act are within the exclusive jurisdiction of the Board of Transport Commissioners."

Amongst other things.

THE ACTING CHAIRMAN: Now, might we have appearances, please, for the record?

MR. F. D. SMITH: I appear to present the brief of the Government of Nova Scotia. Associated with me is Miss Linkletter, the Director of Economic Services of the Department of Trade and Industry.

MR. JOHN DICKEY: I appear for the Canadian Trucking Associations Incorporated.

MR. G. L. MacKAY: I am here representing the Maritime Transport Commission.

I want, since I represent the four Atlantic provinces, to welcome this Board very cordially to the Maritimes. As we are representing the four provinces we will not submit any brief today. Our brief will be submitted later in Ottawa.

THE ACTING CHAIRMAN: Thank you, Mr. MacKay.

Any other appearances?



MR. F.R. GUPTILL: I will putting in a brief on behalf of Weymouth Industries.

THE ACTING CHAIRMAN: I think we have all read the brief and we will be glad to hear from you.

MR. GUPTILL: Now, or later?

THE ACTING CHAIRMAN: Later. We will call on you.

Any other appearances?

MR. R.F. JOHNSON: I appear on behalf of the Nova Scotia Fish Packers Association. We have filed a brief with the Secretary. I understand it will appear on Monday morning, at which time I shall have associated with me Mr. R.G. Smith, Mr. A. Cunningham and Mr. C. Weatherbe.

THE CHAIRMAN: Are there any other appearances?

Well, then, Mr. Smith ...

MR. F.D. SMITH: May I, Mr. Chairman and Commissioners, introduce to you the Honourable R.L. Stanfield, the Premier of Nova Scotia, who will now make a statement.

MR. STANDFIELD: Mr. Chairman and Commissioners, I am here this morning primarily to extend a welcome to this Commission on behalf of the Government of the province of Nova Scotia. The formal submission on behalf of the province will be presented to you by a man of vast experience in the field of transportation, Mr. Frank Smith, Q.C.

We welcomed the announcement that a Royal



Commission would be appointed to inquire into transportation problems, and if I may say so without presumption we welcomed to no less degree the names of the persons who constituted the Commission; for no matter what the Terms of Reference of a Commission may be the result to be obtained depends on the quality of the person who meet to hold the inquiry.

Now, I need hardly say that the Terms of Reference of the Commission impose a heavy duty on the Commission. I know all of us are satisfied that you gentlemen bring to your task the training, experience and qualities of mind which eminently qualify you to undertake your task.

We regret very much, Mr. Chairman, that Mr. McTague is indisposed and unable to be present here in Halifax. We certainly wish him a speedy recovery so that he can join you again and play his full part in the Commission.

Now, I admit that it is not always easy to reconcile what may appear at times to be conflicting demands of regional and national interest. There are times when there is a conflict as between a regional demand and the national interest. There are times when there is a conflict between the interests of a region and the interests of the nation. There are times however when a close and searching examination of what appears to be simply a regional demand, prompted only by self-interest, will reveal that the whole matter is one of national interest and that there is no



conflict, in fact.

In this matter of transportation I believe that there is no real conflict between the interests and the demands of the Maritime provinces on the one hand and the national interest on the other hand, because we are all engaged in building a nation; and, certainly, the national interest requires that the economy of the whole nation will prosper, and national interest demands that each region shall make its fullest contribution to the whole.

National interest seems to require that each region shall have an opportunity of sharing in the expanding economy of the nation, and we will not build a truly great nation if some parts of the nation, for reasons beyond their control, fail to make the fullest contribution to the growth of the whole and become economic backwaters and a drain upon the national economy.

Certainly this matter of transportation is a factor which is beyond the control of any region. It is a matter which can be dealt with effectively only at the national level.

The formal submission for the province, to be presented by Mr. Smith, will present our case in detail. I might say at this point I have had an opportunity to read the submission presented to you by the Premier of New Brunswick, and to observe that certainly, for the most part, our transportation problems are similar.

I would wish now to make one or two



general observations. It has been suggested from time to time that the undertaking of Canada to build the Intercolonial Railway was a confession to Maritime demands, or that it was only an inducement held out by the other provinces to make the idea of Confederation more attractive to the Maritime provinces. It has been suggested also that Canada fulfilled its obligations in full by simply building the railway.

I believe that it was more than a concession and much more than an inducement. My reading of the pre-Confederation speeches by the proponents of Union has led me to the conclusion that each of them recognized that, to create a nation, a transportation system would have to be developed, to bind together the economic life of the various parts of the new nation. They saw that the traditional patterns of trade were changing, or would have to change as a result of the union which was proposed, and that the Confederating provinces would have to be united not only as a political unit but economically as well. These gentlemen, of course, faced many problems, and, in the end, they built a railroad which subordinated, to some extent at least, commercial consideration to national, imperial and strategic consideration.

I suggest to you -- and Mr. Smith will amplify this, of course -- that railway rates through the years have placed a burden on the economy of the Maritime provinces, which the framers



of the union did not contemplate they should bear. I suggest to you that the burden so imposed, to a marked and alarming degree, has hindered or prevented the economic development of the Maritime Provinces.

I sincerely hope that you, Mr. Chairman, and the Members of your Commission, in considering the inequities of the freight rate structure, their incidence upon the various regions of Canada and the legislative changes and, indeed, perhaps, other changes that can and should be made in furtherance of national economic policy, will ever keep in mind -- and I know you will -- that national interest demands a transportation policy which will encourage and permit the fullest utilization of the natural and human resources of the province of Nova Scotia.

Mr. Chairman, I again welcome you here this morning, and I am going to ask you now if you will hear Mr. Smith present the case for the province of Nova Scotia?

THE ACTING CHAIRMAN: Mr. Stanfield, on behalf of the Commission, I thank you very much for your welcome. We know Mr. Smith, and if any evidence is required as to his knowledge as capacity I would be glad to add to it, because I have worked with him on many occasions.

Our effort will be to resolve some of the difficulties. How successful we will be I do not know. We cannot promise you that we will satisfy



everyone, but our efforts will be devoted to resolving them if possible; and, above all else, we are concerned with preserving the Union. The important thing, after all, is the nation of Canada. Thank you very much.

MR. STANFIELD: We do appreciate that your task is a very large and difficult task.

THE ACTING CHAIRMAN: Mr. Smith?

MR. COOPER: Mr. Chairman, the Premier has been good enough to file a copy of his statement, and that statement will be Exhibit 25.

EXHIBIT NO. 25: Speech to the Royal Commission on Transportation by the Honourable R.L. Stanfield.

MR. COOPER: And the brief or the submission of the Province of Nova Scotia will be Exhibit 26.

EXHIBIT NO. 26: Submission of the Government of Nova Scotia.

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SUBMISSION OF
THE GOVERNMENT OF THE PROVINCE OF
NOVA SCOTIA

MR. SMITH: Mr. Chairman and Commissioners,
I join in the felicitations and welcome which have
been extended to you by the Premier of this province,
and as a personal touch may I express to you the
pleasure afforded to me by appearing before a Com-
mission, the Chairman of which is my old friend,
Mr. M.A. MacPherson, Q.C.

I propose to read the submission which
has been filed; perhaps I may not read every word
of it, but at least I will follow it fairly closely
because I feel that it is essential that the basis
on which this submission is made should be readily
apparent and manifest to the members of your Com-
mission.

As I said, representations have from
time to time been made by the Government of this
province to various Commissions which have been
set up by the Government of Canada. Reference is
hereby made to the submission made to the Royal
Commission on Transportation, of which the Hon-
ourable W.F.A. Turgeon, K.C., LL.D., was Chairman,
and to the Report of that Commission in 1951, as
well as to the submission of the Maritimes Trans-
portation Commission to the Royal Commission
on Canada's Economic Prospects in 1955-1956.

2. Many of the problems therein referred
to still remain unsolved and some of them have



become more difficult in the meantime.

3. It is only necessary to refer to the following passages from the Judgment of the Board of Transport Commissioners for Canada, Vol. XLVIII of its Judgments, Orders, Regulations and Rulings No. 16A, of November 17, 1958, authorizing an increase of 17 per cent in freight rates to appreciate the effect of freight rate increases made since 1957, and indeed since 1948. In the Judgment of the Board, at page 25, it is stated as follows:

"Effect of Freight Rate Increases

Since the end of World War II there have been six general increases in freight rates in Canada, all of which were due principally to increases in the cost of labour and materials. They were the so-called 'percentage' increases, namely the 21 per cent increase, and the successive 20 per cent, 17 per cent, 9 per cent, 7 per cent and 11 per cent increases in that order. Cumulatively they represent an increase of approximately 120 per cent over the general level of freight rates in effect in 1947. The increase authorized by this Judgment will bring the total increases to seven.

The full amount of an authorized percentage increase --"

As your Chairman and other Members of



the Commission know, the increase in coal is largely -- which has been made in the various percentage increases -- have been made in cents rather than in percentage increases.

"... can be effectively applied only upon the so-called 'normal' traffic, which, in the sense in which it is used in this portion of the Judgment, excludes coal and coke traffic; grain and grain products at statutory and related rates; international, overhead, import-export and other related rates traffic; competitive traffic; and agreed charge traffic. Since 1953 this normal traffic has drastically shrunk in volume and now constitutes only about one-third of the total freight revenue of all railways. It is also subject to accelerating attrition with each successive increase.

Coal traffic as a whole has been subjected to only about one-half of the total authorized percentage increases.

Approximately 40 per cent of Canadian Pacific's freight tonnage consists of grain and grain products carried at statutory and related rates, and it yields about 9 per cent of Canadian Pacific's freight revenue.

The remainder of the railway freight revenue is obtained from (a) international,



"overhead, import-export and related rates traffic, on which general increases have been applied concurrently with general increases authorized by the Interstate Commerce Commission; (b) traffic carried at agreed charges, which are contract rates that are difficult to increase without cancelling the contracts; (c) competitive traffic, on which the rates are largely controlled by the competitors of the railways and on which the normal percentage increase, if applied, often results in diversion of traffic to such competitors and must be reduced or removed to retain the traffic."

4. The effect of the 17 per cent increase authorized by that Judgment was to bring the increase of approximately 120 per cent to 157.3 per cent.

5. It is mentioned at page 16 of the Judgment that Counsel for the provinces had stressed that the traffic producing approximately 35 per cent of the total revenue of Canadian National and Canadian Pacific Railways was expected to assume approximately 73 per cent of the revenue increase from the increased rates, and it is pointed out in the Judgment that this premise is predicated upon the fact that no increase was to be secured as a result of the application from the statutory and international traffic. The Board pointed out that increases in revenue were obtained from



international and related traffic, concurrently with general increases authorized by the Interstate Commerce Commission. While this is true, it is nevertheless beyond contradiction that there is, as was contended by the provinces at that time, a great distortion in the freight rate structure by reason of the fact that the freight rate increases have imposed an unfair burden on the segments of the freight rate structure to which they are applied and that such distortion has been successively accentuated by the increases made on a general percentage basis and applied only upon the so-called "normal" traffic referred to in the passage from the Board which has been quoted.

6. By Order of the Board, dated July 10, 1959, made pursuant to Sections 2 and 3 of the Freight Rates Reductions Act, Statutes of Canada, 1959, the freight rate increase of 17 per cent authorized by Order of the Board, dated November 17, 1958, on class and commodity rates (other than competitive rates) was reduced to 10 per cent, effective on August 1, 1959 for one year thereafter. That, of course, is a temporary measure, as stated.

7. It is submitted that because of the manner in which these freight rate increases have been applied, they have borne most severely upon the Atlantic provinces, including the province of Nova Scotia. The following quotation from a study prepared for the Gordon Commission by



Dr. R.D. Howland on "Some Regional Aspects of Canada's Economic Development" at page 152 is, I suggest, apposite:

"It is probable that the incidence of recent horizontal increases in freight rates has been most heavily felt in the Atlantic region. Their impact in the West has also been considerable. In the West, however, a substantial portion of the region's total transportation costs consists of export grain traffic under the Crow's Nest Pass Agreement. These rates are fixed by a Statute and have remained constant."

8. The importance of the transportation factor in the economy of this province has been recognized for many years. In the report of the Royal Commission on Maritime Claims, dated September 23, 1926, commonly known as the "Duncan Report", the following passages relating to transportation and freight rates are, it is submitted, pertinent in this regard:

"II

7. Maritime Railways.

For all practical purposes, the rail transportation services of Nova Scotia and Prince Edward Island are controlled by the Canadian National Railways. The other great transcontinental system, the Canadian Pacific Railway, has its Atlantic terminus



"at Saint John, N.B., and serves the province of New Brunswick in direct line, and on small branches. The Canadian National Railways also have a main line direct through New Brunswick, and handle the greater portion of the tonnage of the three Maritime Provinces taken together -- for example, it is estimated that the system handles between 70 per cent and 80 per cent of the total tonnage of the three provinces.

Partly for this reason, and partly also on account of the history of the Intercolonial Railway (which forms the greater part of the Maritimes portion of the Canadian National Railways), evidence submitted to us related almost entirely to the Canadian National Railways system.

8. History of Intercolonial Railway.

The construction of the Intercolonial Railway was an obligation placed upon the Dominion Government by section 145 of the British North America Act, 1867, which reads as follows: -"

I don't propose to read the section --

"For many years before Confederation the project of such a railway was actively canvassed both in the Maritime provinces and in Upper and Lower Canada, not only as



"an element in the political consolidation of the four provinces but even as a channel of mutual commerce and trading --"

-- and I emphasize that passage --

"We think, however, that a balanced study of the events and pronouncements prior to Confederation, and at its consummation, confirms the representations submitted to us on behalf of the Maritime Governments in regard to the ultimate construction of the railway, viz:-

(a) That leading Canadian statesmen in urging the adherence of the Maritime Provinces to Confederation defined the purposes of the railroad to be

(i) A means of affording to Canadian merchandise, and to Canada herself in times of national and imperial need, an outlet and inlet on the Atlantic ocean -- available all the year round -- and

(ii) To afford to Maritime merchants, traders and manufacturers, a market of several millions of people instead of their being restricted to the small and scattered populations of the Maritimes themselves, particularly in the light of the disturbance with which their trade was threatened as the result of the discontinuance by the United States of the reciprocal arrangements that had prevailed.



"(b) That strategic considerations determined the actual course of the line -- making it many miles (estimated by Sir Sandford Fleming at 250 miles) longer than was necessary -- if the only consideration had been 'to connect the cities of the Maritime Provinces with those of the St. Lawrence.'

(c) That to the extent that commercial considerations were subordinate to national, imperial and strategic considerations, the cost would be borne by the Dominion and not by the traffic that might pass over the line."

9. In the preamble to the Maritime Freight Rates Act, 17 George V, Chapter 44, which was enacted to implement the recommendations of the Duncan Commission in respect of transportation and freight rates, and is quoted on page 228 of the Report of the Turgeon Commission, 1951, it will be observed that these findings of the Duncan Commission, as well as its recommendations for the purpose of removing the burden imposed upon the trade and commerce of the Maritime provinces since 1912, which in view of the pronouncements and obligations undertaken at Confederation, it was never intended such commerce should bear, are recited.

10. The Duncan Commission found that a lower level of rates prevailed on the Intercolonial



System prior to 1912, but between 1912 and 1926, increases were added to the freight rates which, with other changes in the framework of the rate structure, combined to impose upon the merchandise and industry of the Maritime provinces an undue burden. In order to restore the original purposes of the Intercolonial Railway as interpreted by the freight rate structure prior to 1912, it was recommended:

"that an immediate reduction of 20 per cent --"

In other words, the increases in the Maritime region were in the order of 192, the combined cumulative effect, as against 155 in the rest of Canada.

"... (so that 192 will become approximately 155) be made on all rates charged on traffic which both originates and terminates at stations in the Atlantic Division of the Canadian National Railways (including export and import traffic by sea, from and to that division), and that the same reduction be also applied to the Atlantic Division proportion of the through rates on all traffic which originates at stations in the Atlantic Division (excluding import traffic by sea), and is destined to points outside the Atlantic Division.



"For this purpose, we cannot regard the Atlantic Division as ending at Riviere du Loup and Monk, which are its present western limits. The divisional points should, in our view, be Diamond Junction and Levis, Diamond Junction being the point at which the Transcontinental Railway meets the old Intercolonial Railway, and Levis the point to which, in 1879, the Intercolonial Railway was extended."

11. The Maritime Freight Rates Act directs inter alia the maintenance of tariffs of tolls on the lines of railway operated as parts of the Canadian National Railways, therein designated as the "Eastern lines", on the general rate level of approximately 20 per cent below the tolls or rates existing on the 1st of July, 1927, while the cost of railway operation in Canada remains approximately the same as at the said date on the "preferred movements" as therein defined.

"Eastern lines" are the lines of railway situated within the Maritime Provinces and the lines of railway in the province of Quebec extending from the southern provincial boundary near Matapedia and near Courchesne to Diamond Junction and Levis. (Sections 2 and 3.)

12. The Board may allow the increase or reduction of such tolls or tariffs from time to time to meet increases or reductions, as the case may be, in such cost of operations. (Section 3, subsection 2, (B).)



13. The Board is authorized and directed to adjust or vary such substituted tolls or rates from time to time as new industrial or traffic conditions arise, but always in conformity with the intent of the Act as expressed in Sections 6 and 7 and other relevant Sections thereof. (Section 3, subsection 2, (c).)

14. The "preferred movements" to which the reduction applies include:

(a) All rail traffic between points on the Eastern lines;

(b) All rail traffic moving outward, westbound from points on the Eastern lines to points outside, the 20 per cent reduction being based on the Eastern lines' proportion of the through rate;

(c) Export traffic moving outward, rail and sea, from points on the Eastern lines through ocean ports on the Eastern lines destined overseas.

(Section 4.)

The railway companies are reimbursed under the Act the amount of the difference between the tariff rates under it and the normal rates that, but for the Act, would have been effective.

(Section 8.)

When Newfoundland became a part of Canada in 1949, it was provided by the Statute Law



Amendment (Newfoundland) Act that the Maritime Freight Rates Act should be deemed to apply to Newfoundland as part of the "select territory". An amendment to the Act was made in 1951, pursuant to the recommendations of the Turgeon Commission (at page 237) in relation to traffic moving outward westbound rail-and-lake, and also rail-lake-and-rail from points on the Eastern lines westbound to points in Canada via points beyond the limit of the Eastern lines at Diamond Junction or Levis; for example, Moncton to Winnipeg via the port of Point Edward thence via water to Port Arthur or Fort William -- the 20 per cent to be based upon the Eastern lines proportion of the through rate for the rail mileage from Moncton west as far as Diamond Junction or Levis.

16. Reference is also made to the Report dated September 13, 1932 of the Royal Commission to inquire into railways and transportation in Canada, of which the Right Honourable Sir Lyman Moore Duff, P.C. was Chairman. At page 76 of Appendix I to the report, the Intercolonial Railway is inter alia referred to in the following terms:

"The line constituted in its inception and remains today an essential national undertaking. Besides forming the original link in what has since become the extended and multiple chain of railway communication that connects



"from east to west the geographically disjointed belt of Canadian Confederation, the Intercolonial continues to serve as the principal purely Canadian outlet, available throughout the year, to the Atlantic seaboard. So if today the Intercolonial, forming with the National Transcontinental Railway the eastern lines of the Canadian National System, seems to present many of the aspects of commercial failure, it should be remembered that its economic defects are to a great extent inseparable from an origin that had its roots, and remains rooted, in the broader considerations of public policy."

17. Since the enactment of the Maritime Freight Rates Act in 1927, developments to be later referred to have occurred in transportation which, if foreseen at all, were imperfectly foreseen at that time. These developments have tended to destroy or prejudicially affect the benefits intended to be conferred by the Statute.

18. The importance of the transportation factor in respect of the location and development of economic endeavour has always been clearly understood and realized by the Province of Nova Scotia. It has been recognized that the degree to which manufactured products and the products of the sea, mines, agriculture and forestry can reach their principal markets in Central Canada



has been and is circumscribed by the cost of transporting these products.

19. Reference is made to pages 50-62 of the Report of the Turgeon Commission with respect to horizontal increases. As appears therefrom, the question is one of long standing as is manifested by the excerpts from the Report of the Duncan Commission quoted on page 52. It will be observed that the Turgeon Commission, at page 61, came to the following, among other conclusions:

"1. Applications for uniform horizontal increases to all freight tolls assume that all freight can, under all conditions, bear an equal burden of increase. This is an incorrect assumption.

2. Horizontal increases, although preserving rate relationships percentage-wise, disturb them in cents per 100 pounds (or other unit) in so far as shippers and consignees are concerned, and this is of much importance to them.

3. Horizontal increases aggravate the disadvantage already suffered by long haul shippers and consignees."

After all, people who are manufacturers and dealers do not deal in percentages, they deal in dollars and cents and when they have to send their goods to a market the question is what the extra cost is that they have to pay in dollars and cents and not in percentages.



"4. ... Special attention should be given to long haul traffic and to rates on basic (or primary) commodities. The railways should be in a position to do this especially in the light of new statistical procedures. But if the railways do not approach the task in this way, it ought to be the duty of the Board to see that they do so.

5. It is the sudden shock to the economy caused by large horizontal increases that raises the problem, and this fact should receive the close attention of both the railways and the Board."

I do not intend to enlarge upon these recommendations. The matter was discussed at great length before the Turgeon Commission and I might modestly say that I played a part in that. At least, I did contribute to the evidence which was adduced and the submissions given in that regard particularly in relation to the experience of the Interstate Commerce Commission.

THE ACTING CHAIRMAN: Your complaint is that they diagnosed but did not prescribe?

MR. SMITH: Quite right, Mr. Chairman.

20. Although representations on behalf of the province have been made to the Board in this regard on subsequent general freight rate increases applications made by the railway companies, no effective measures have been adopted to alleviate



the detrimental effects of the horizontal percentage increases which have been successively authorized by the Board.

21. The nature of the freight structure and the highly competitive situation under which the Railways operate in many parts of Canada have been responsible for imposing a greater than justifiable burden on the Atlantic provinces, including the province of Nova Scotia. Because of the competitive position of the railways, they cannot, for fear of losing freight, make authorized increases effective on many segments of their traffic. The competition of other media, such as trucks, provides an effective reduction in the freight rates on certain commodities and in certain areas, and, in consequence, the revenue which is lost from these reduced rates has to be obtained from other traffic which is more securely bound to the Railways due to relative or actual absence of effective competition.

22. The competition afforded by the motor trucks to the railways on traffic in, to and out of Nova Scotia is not as pervasive as in other parts of Canada, particularly central Canada. As a result, a greater percentage of such traffic must bear the full or a larger part of the impact of the freight rate increases. More particular and statistical and detailed evidence will be adduced and representations made to the Commission at its Ottawa sittings on behalf of



this province, as well as the other Atlantic provinces. It is merely suggested in this preliminary submission, without greater particularity and proof, that the increases in freight rates made in the manner in which they have been made, have had a more detrimental effect on the economy of this provinces than upon the economy in other parts of Canada, exclusive of the other Atlantic provinces.

23. It is now proposed in this submission to furnish to your Commission information relating to the economy of the province. Accordingly, the paragraphs immediately following will deal with, under the respective headings, information in this regard.

Mr. Chairman, I gather from what you said at Fredericton and Charlottetown that you were interested in learning the economic conditions of each individual province?

THE ACTING CHAIRMAN: I think that is our duty.

MR. SMITH: This information which is gathered mostly from D.B.S. sources is, I think, authoritative and I am indebted to my friend Miss Linkletter for the information which is contained herein.

24. First with respect to agriculture.

25. Agriculture: Nova Scotia has a net value of agricultural production which accounts for approximately 6 per cent of the total value of commodity production, following manufacturing, construction and mining in that order. Farm cash income for 1958 was \$42,288,000 and gross income



from agricul production was \$51,784,000 although mixed farming is carried on in all sections of the province, the principal agricultural areas are the Annapolis Valley and the northern third of the mainland, the counties of Cumberland, Colchester, Pictou and Antigonish.

26. Out of a total land area of 13,275,520 acres, 2,775,642 acres or approximately 21 per cent are classified as potential farm area. There are 21,075 farms with an average of 131.7 acres per farm (of which about 10,000 represent actual "commercial" farms run on a full-time basis). Some 629,874 acres are classified as improved land with 416,235 acres under crops and 161,424 acres in pasture. Summer fallow, woodland, bushland, etc. account for the remaining farm acreage. The total agricultural labour force in 1951 was estimated at 23,479 persons, or approximately 10 per cent of the total labour force in Nova Scotia.

27. The principal sources of farm income are dairy products, poultry and eggs, livestock, forest products, and fruits and vegetables, in that order. The Annapolis Valley apple crop was once the most important cash crop, but with the loss of the major portion of the overseas apple market beginning in 1939, dairy products became the leading source of agricultural income for the province.

28. Both the federal and provincial Departments of Agriculture have encouraged a program of increased beef production. Plans are



underway for an abattoir in the Halifax area, and it is hoped that this, combined with a program of dyke-land reclamation and community pasturage, will increase livestock production to the point where it will at least supply the Nova Scotia market demands.

29. The bulk of Nova Scotia farm produce is consumed within the province but, of the products exported, the principal items are poultry, eggs, fruit, (apples, blueberries), and potatoes. Eggs and poultry go to the central Canadian and Caribbean market areas; apples, both fresh and processed to central Canada, the United Kingdom, and the Caribbean area; blueberries, fresh and frozen, to central Canada and the U.S.A.; and potatoes to the West Indies.

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30. FARM CASH INCOME - NOVA SCOTIA

(1926, 1936, 1946, 1956 and 1958)

(Thousand Dollars)

	1926	1936	1946	1956	1958
Field Crops	1,564	934	1,223	1,012	879
Fruits and Vegetables	2,711	5,369	6,515	3,388	3,158
Livestock	2,522	2,612	7,401	9,407	9,440
Dairy Products	4,069	3,400	8,973	11,813	12,202
Poultry & Eggs	869	809	4,607	12,577	12,033
Forest and Maple Prod.	1,419	1,671	3,698	5,143	3,523
Miscellaneous	786	782	1,099	1,083	1,053
TOTAL	13,940	15,578	33,507	44,423	42,288

31. INCOME OF FARM OPERATORS FROM FARMING OPERATIONS, NOVA SCOTIA

YEARS 1931, 1941, 1951 and 1958

(Thousand Dollars)

Year	Cash Income from Farm Products	Total Gross Income	Total Net Income
1931	12,873	21,381	9,580
1941	17,233	25,330	10,822
1951	40,235	51,495	20,738
1958	42,288	51,784	15,112

32. AGRICULTURAL LABOUR FORCE, NOVA SCOTIA, CENSUS YEARS 1921 to 1951.

Year	Total Labour Force	Agricultural Labour Force	% of Total Labour Force
1921	185,127	49,049	26.5
1931	180,894	43,936	24.3
1941	190,973	37,573	19.7
1951	220,806	23,479	10.6



33. The three leading groups, dairy products, livestock, poultry and eggs - depend very heavily upon feed grain shipped from Western Canada. A substantial part of the cost of this long haul is borne by the Government of Canada under the Feed Grain Assistance program inaugurated during the Second World War. There is a problem inherent in this set-up because the assistance is on a year to year basis. The resultant uncertainty is a deterrent factor in the development of this phase of agriculutre in the province.

34. Referring to apples, with the long-term decline in the United Kingdom market, sales on the domestic and North American markets have become more important. This has meant an increasing dependence on rail freight both for shipments within the Atlantic provinces and to central Canada.

35. The bulk of the blueberry crop (\$600,000) is sold fresh and frozen in the United States (much of it in Boston) and most of it is shipped by refrigerated transport truck. However, there is a growing demand in central Canada and transportation costs, whether shipment is by rail or by truck, inhibit the expansion of this business.

36. The principal outlet for potatoes outside of Nova Scotia is the West Indies and shipment is mainly from the Port of Halifax.

37. The fruit and vegetable processing plants in the Annapolis Valley -- there will be a submission by the proprietors of those plants this afternoon -- because of their location in Dominion



Atlantic Railway territory, in the movement outside of Nova Scotia of their products, are subjected to higher freight rate costs than plants which do not have to depend on two-line traffic. Another important cost factor in the canning phase of this industry in Nova Scotia is the transport of containers. Apart from a small scale production of cans at Port Elgin and Black's Harbour, New Brunswick, mostly for their own account, virtually all glass bottles and cans must be obtained from Central Canada or imported. Where the final product finds a market in Quebec or Ontario as in the case of apple juice or canned fruit and vegetables, this means a two-way haul for the containers. Where the market is in Nova Scotia or the other Atlantic provinces, the inbound freight on the containers is an addition to the ultimate cost to the consumer compared with his counterpart in Ontario and Quebec.

38. Shippers of livestock and other farm products from the Annapolis Valley are also affected by the two-line haul and the resultant heavier transportation costs, compared with shippers by one line of railway.

The next subject is that of fisheries and there will be a brief submitted on Monday, I understand, in which more particular representations will be made in this regard but the information contained here is more of a general nature and perhaps I can refer to it.



39. The fishing grounds located off Canada's Atlantic Coast are renowned for their abundance of fish. The structure of the ocean floor, with its vast continental shelf and many "banks" create large areas of comparatively shallow water, which are necessary to support any significant amount of fish life.

40. There are over 30 commercial species of fish and shellfish caught, including cod, haddock, herring, rose fish, pollock, halibut and mackerel, as well as lobsters, clams and scallops. Of the various species which make up the total, the ground fish are the most notable, since they and lobsters form the greatest proportion of the landings. In terms of value, whereas cod used to be Nova Scotia's most important single species, now it is lobster, accounting for nearly one-third of the value of all landings.

41. In 1956, some 14,000 Nova Scotia fishermen brought ashore a record catch of approximately 443 million pounds of fish, and fisheries products were sold to the value of some \$49 million, the highest in the history of the industry. In 1958, the catch increased to about 465 million pounds. The net value of production in the fisheries represents nearly 6 per cent of the total net value of production of all Nova Scotia industries and the total employed is approximately 19,600 persons in both primary, processing and packing operations.

42. FISHERIES LANDINGS AND VALUE -
NOVA SCOTIA

(1926, 1936, 1946, 1956,
1958)

Year	Quantity Landed '000 lbs.	Landed Value \$'000	Market Value \$'000
1926	320,199	.....	12,506
1936	250,395	5,492	8,905
1946	417,662	20,560	34,271
1956	442,846	25,038	49,363
1958	464,721	24,841	.....

43. Originally, the principal outlet for Nova Scotia fish was the salt fish trade, but since World War II, and particularly in the past five years, an increasing proportion of the catch has been processed for the frozen fish trade. The fresh fish trade however, including the shell fish species, is still the most important.

44. Every method of processing is used for the different markets by 126 processing plants, which employ over 4,000 workers. Fish are sold fresh, fresh frozen, dried, salted, smoked, pickled, canned, as bait and meal, and processed as industrial and vitamin oils.

45. FRESH AND FROZEN FISH PRODUCTS - NOVA SCOTIA

MARKETED VALUE
1926, 1936, 1946, 1956
(Thousand Dollars)

Kind of Fish Products	1926	1936	1946	1956
Fresh ¹	4,665	5,008	14,064	19,253
Frozen ²	-	-	5,107	10,940
Other ³	7,750	3,877	14,453	19,170



1. Includes lobster and all other shellfish.
2. Frozen fish was included in the fresh fish statistics for 1926 and 1936.
3. Includes smoked fish, green salted, dried salted, boneless salted, pickled, canned, bait, etc.

46. Although there are no specific statistics available to show the exact amounts, by far the greatest percentage of fish products are exported to the United States. About 90 per cent of the total output of fresh and frozen fillets is exported to the United States, while about 90 per cent of the dried salted fish production goes to the Caribbean area. About 75 to 80 per cent of the boneless salt fish is marketed in the United States, as is at least the same percentage of the lobster output.

THE ACTING CHAIRMAN: I think I should interrupt you for a moment, Mr. Smith. I just noticed that the Honourable C.J. Burchell came in and I know what a pioneer he has been in the transportation service and the Commission recognizes him as such.

MR. BURCHELL: Thank you, Mr. Chairman.

MR. SMITH: 47. With only a very small part of the fisheries production consumed locally, the importance of efficient and fast transportation service is self-evident. Its cost is an important element in the sales and profit position of the Nova Scotia industry because the final product must be competitive not only with fish from other areas



but also with other protein foods such as meat, eggs and cheese. Both rail and motor transport are used for the fresh and frozen trade while exports to the West Indies and Caribbean area are shipped by water.

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48. QUANTITY CAUGHT AND VALUE LANDED OF THE CHIEF COMMERCIAL
FISHES, NOVA SCOTIA

Years 1926, 1936, 1946, 1956, 1958

Kind of Fish	1926	1936	1946	1956	1958
Cod. '000 lbs.	185,894	107,933	217,258	125,473	110,548
\$'000	3,635	1,399	7,624	4,214	3,711
Lobster . . . '000 lbs.	18,432	14,509	18,670	22,191	17,825
\$'000	2,496	1,992	6,177	9,238	7,301
Haddock . . . '000 lbs.	45,829	39,185	33,905	90,836	66,617
\$'000	839	643	1,537	3,066	3,051
Mackerel . . . '000 lbs.	6,758	19,062	18,769	10,839	8,069
\$'000	173	228	670	392	381
Herring . . . '000 lbs.	26,482	22,670	58,173	46,974	104,454
\$'000	291	142	868	667	1,482
Halibut . . . '000 lbs.	2,373	3,104	1,369	4,784	6,047
\$'000	296	269	266	1,206	1,639
Hake & Gusk . '000 lbs.	9,195	14,105	16,356	13,677	13,086
\$'000	92	62	332	265	274
Swordfish . . '000 lbs.	1,294	1,785	2,776	4,153	5,377
\$'000	146	150	981	1,169	1,439
Scallops . . . '000 lbs.	398	1,633	806	2,273	3,231
\$'000	134	301	489	994	1,232
Salmon '000 lbs.	1,343	602	456	132	205
\$'000	194	78	155	69	104
Smelts '000 lbs.	1,098	768	564	373	358
\$'000	119	47	71	48	55

49. EMPLOYMENT IN THE FISHERIES INDUSTRY, NOVA SCOTIA

Years 1926, 1936, 1946, 1956, 1957

	1926	1936	1946	1956	1957
Primary Fishing	16,315	18,339	15,860	14,379 ¹	15,265 ¹
Fish Processing and Packing	3,876	3,664	4,969	4,236	4,327
Total Employment.	20,191	22,023	20,829	18,615	19,592

1. Fish processing as of 1956 has been redefined to exclude those establishments whose functions are solely to assemble and pack, and not to process. Persons employed in the fish packing industry have been included here in order to make the figures comparable with previous years.



50. It is understood that a submission will be made to your Commission at its Halifax sittings by or on behalf of the fishing industry of the province.

51. Forestry: A forest inventory of Nova Scotia completed in 1957 shows that Nova Scotia's forest land area comprises slightly more than 9.6 million acres, representing a total amount of accessible merchantable timber of 11,786 million cubic feet. A gross forest classification shows about 55 per cent pure softwood stands, 6 per cent pure hardwood stands, and 39 per cent of mixed softwoods and hardwoods. The softwood species are mainly spruce, balsam fir, hemlock and pine. The hardwoods include birch, maple, poplar, ash and oak.

52. VOLUME AND VALUE OF PRIMARY FOREST
PRODUCTION

NOVA SCOTIA

Year	Volume M. Cu. Ft.	Value \$
1926	98,825	8,120,919
1936	97,396	6,199,647
1946	122,787	17,651,074
1956	111,202	24,620,801
1957	104,859	22,506,594

53. Nearly 2,500 employees in 526 lumber mills in 1957 turned out products made almost entirely of softwoods, mostly from spruce and balsam fir. These products consist largely of sawn lumber, box shooks, hardwood squares and mine packs, railway ties, flatted mine timber,



staves and heading, and shingles. Of these products, approximately 50 per cent of the volume is consumed in Nova Scotia, and the balance is exported to the United Kingdom, the United States, and other parts of Canada.

54. In 1957, one newsprint mill and two groundwood pulp mills employed over 1,200 workers; and 1,580 employees in 130 wood-using establishments in 1956 produced such items as furniture, sashes, doors, veneer, flooring, boxes, etc.

55. The Christmas tree industry has grown to the point where it is of major importance in some sections of the province. Approximately 2,600,000 trees, or 647,434 bales, were exported from the province in 1958, bringing a revenue of \$1,700,000.

56. The construction of the projected pulp mill at Point Tupper on the Strait of Canso will be a major addition to forest utilization facilities. The mill producing bleached sulphite pulp will have a capacity of 350 tons per day. Rail as well as water and truck transportation will be used for inbound raw materials such as pulpwood, chemicals, etc. It is anticipated that the bulk of the pulp produced will be exported by water.

57. The markets for our forest industries are mainly export. The bulk of the newsprint produced is sold in the United States and shipped



by water. Shipment of groundwood pulp, and of the pulpwood that is exported, is mostly by water. The latter moves also by rail to the United States but as freight rates have risen the volume of this business has diminished.

58. Christmas trees are exported to the United States by rail.

59. The pattern in the lumber industry has been changing with the provincial and domestic market taking a growing share of total production. The United Kingdom market has declined due to exchange problems and, more latterly, intense competition from European suppliers. The United States market has been shrinking caused mainly by the climb in freight rates and also the declining value of the U. S. dollar. The resultant increased dependence on the local and Canadian market has meant greater use of rail transportation. This means that an increasing proportion of production is being sold where shipping costs are relatively high in contrast with the lower export rates on lumber destined for the United Kingdom, and under competitive conditions requiring the lumber operators to absorb much of the additional costs. A feature of the trade within the province which adds to the problem is the two-line haul involved for lumber originating in western Nova Scotia. Because of the geographical dispersion of this industry, a sudden or drastic change in the freight rate structure has widespread ramifications in



the economic and social life of Nova Scotia.

60. LUMBER PRODUCTION¹ IN NOVA SCOTIA, QUANTITY
AND VALUE

Year	Quantity	Value
	(thousands of feet board measure)	\$
1926	94,390	1,937,310
1936	118,402	1,704,920
1946	330,578	14,519,554
1956	285,636	17,716,502
1957	225,725	15,759,031

1. The lumber industry includes not only the production of sawn lumber of all dimensions, but also that of shingles, laths, sawn ties, hardwood squares, box shooks, staves and heading, other sawn products, and the barking of pulpwood in other than pulpwood plants. Operations in the woods are not included.

THE WOOD AND PAPER INDUSTRIES OF NOVA SCOTIA
1957

Industry Establishments Employees	Selling Value of Factory Shipments \$
Wood Pro- ducts .. 659 3,857	30,139,290
Paper Products. 7 1,530	25,494,582

Now I come to the subject of mining.

61. Nova Scotia's mining industry, valued at over \$64,000 in 1958, is third in the province in terms of net value of production, and employs about 11,000 personnel.

62. Of this mineral wealth, coal pro-
duction represents by far the largest part, accounting



for approximately 77 per cent of the total. It also employs about 85 per cent of the total personnel engaged in the mining industry. Currently, about 56 per cent of Nova Scotia's coal output is shipped to other Canadian provinces via both rail and water transportation. Provincial consumption, industrial and domestic, amounts to about 36 per cent of the total, and the railway companies account for approximately 7 per cent.

63. In the industrial mineral field there have been substantial increases over the past few years. There has been a steady growth in the production of gypsum, amounting to more than three million tons in 1958, representing 77 per cent of the total Canadian production of gypsum for that year. Its current (1958) output is valued at over \$5,000,000. Crushed gypsum (90 per cent of production) is shipped mainly by water to plants in the Atlantic States. Some goes inland to Montreal by rail.

64. Nova Scotia possesses one of the largest known single deposits of barytes in the world. The product of this operation is used principally in oil well drilling, and is shipped to the Caribbean area, the United States, and to the Middle East. Both raw and semi-processed material is shipped in the proportion of 86:14. The output for 1958 was 183,843 tons, valued at almost \$2,000,000.

65. Salt production in 1958 was 117,800



tons, valued at \$2 million and marketed mainly for highway ice control, for fishery, table, dairy and chemical use. Both packaged and bulk salt is produced, using rail shipment for the Quebec market. There is a new mine at Malagash which has now been opened. It just got into production in the last few weeks.

66. In ceramics, the production of brick, building and drain tile, and sewer pipe has remained relatively stable for some years, with a gradual increase in production anticipated for some years ahead. In addition to the Atlantic provinces, the market for brick extends to Quebec and Ontario where shipment is by rail. Other mineral resources such as granite, sandstone, silica, limestone, dolomite and quartzite are also being utilized annually for industrial purposes, but not on the same scale as the others mentioned. Resources, however, are plentiful, should demand develop.

67. There is only a limited amount of processing of minerals such as gypsum in Nova Scotia, important deterrent factors being the combination of limited local markets, in industries where economies of scale are significant, and distance from large consuming centres.

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MINERAL PRODUCTION IN NOVA SCOTIA

¹

MAIN TYPES AND VALUE

(1926, 1936, 1946, 1956, 1958)

Main Types	1926	1936	1946	1956	1958 (prelim.)
Coal tons	6,747,477	6,649,102	5,452,898	5,775,025	5,297,248
\$	26,845,226	22,973,281	30,573,883	50,931,178	49,480,680
Gypsum tons	678,107	729,019	1,538,738	4,144,147	3,131,700
\$	1,187,918	808,294	1,812,815	5,250,883	5,158,020
Baryte tons	100	.....	117,691	308,431	183,843
\$	2,307	.....	987,473	2,743,408	1,730,556
Salt tons	8,167	38,774	38,371	132,539	117,800
\$	68,781	183,915	329,579	1,652,839	2,302,000
Structural Materials \$	469,156	1,635,583 ²	1,456,247	3,817,464	5,102,073
Grand Total \$	28,873,792	26,672,278	35,350,271	66,092,274	64,002,597

1. Other minerals include gold, copper, lead, silica brick, silver, limestone, zinc, etc.

2. Includes production in Prince Edward Island



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

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The following statistics of the leading industries of Nova

MANUFACTURING

Scotia, 1957 are herewith submitted:

No.	Industries	Establishments Number	Employees Number	Selling Value of Factory shipments Dollars
1	Primary iron and steel	3	4,579	55,145,123
2	Fish processing	126	4,037	43,901,800 ¹
3	Shipbuilding	18	2,753	22,988,131
4	Pulp and paper	4	1,254	21,851,807 ¹
5	Sawmills	526	2,416	17,579,418 ¹
6	Butter and cheese	21	701	11,445,651
7	Bread and other bakery products	73	858	8,813,141
8	Sash, door and planing mills	60	767	7,506,406
9	Printing and publishing	27	847	7,132,900
10	Milk pasteurizing plants	29	414	6,359,706
11	Knitted goods, other than hosiery	3	858	6,316,220
12	Confectionery	5	901	5,528,557
13	Fruit and vegetable preparations	17	588	5,383,343
14	Feeds, stock and poultry, prepared	16	107	4,534,498
15	Carbonated beverages	29	269	4,468,675
16	Miscellaneous food preparations	12	215	4,315,668
17	Machinery, industrial	5	403	3,090,796
18	Slaughtering and meat packing	4	60	2,184,138
19	All other leading industries	18	5,113	152,279,530 ²
Totals, leading industries		996	27,140	390,825,508
Totals, all industries		1,356	31,530	427,299,045
<hr/>				
1.	Reported on a production basis			
2.	Includes: Breweries; Cotton yarn and cloth; Boxes and bags, paper; Bridge and structural steel work; Wire and wire goods; Miscellaneous iron and steel products; Aircraft and parts; Railway rolling stock; Salt; Coke and gas; and Petroleum			



70. It should be noted that in the foregoing table the category "All other leading industries" represents an important part of total manufacturing but the figures for these must be grouped in order to avoid revealing the position of an individual establishment. The most notable industry in this category is petroleum refining but the group also includes breweries, cotton yarn and cloth, bridge and structural steel, wire and wire goods, paper boxes and bags, aircraft and parts, railway rolling stock, salt, coke and gas, etc.

71. Examination of the individual industries will reveal that with a few exceptions the important ones are resource-based with markets or an important share thereof either national or export, or both. Not all are equally dependent on the railways for shipping finished goods but they are all in some measure dependent on rail transportation for materials, process supplies, equipment, etc. This means that their costs of operation are directly affected by the level of, and any changes in, freight rates.

72. A striking illustration of the importance of the transportation factor can be found in the steel industry. In the brief of Dominion Steel and Coal Corporation Limited to the Royal Commission on Canada's Economic Prospects (October 21, 1955) the transportation factor is dealt with extensively as being of central importance to the future economic development of Canada. In the company's view, Nova Scotia's geographical advantage of tide-water location has been subordinated



in the past to national integration. Because of the necessity of offering low prices in the world market, export trade is not too attractive an outlet, and to maintain an adequate level of steel production, a large proportion of the company's output must be shipped into central Canadian markets, for the area between Montreal and Windsor consumes over 75 per cent of all iron and steel products in Canada. Thus, in order for the Nova Scotia steel industry to survive and grow, low transportation costs seem necessary to make up for the disadvantage of being so far from the nucleus of the iron and steel market in Canada, i.e. from Hamilton and Toronto.

73. Sydney's disadvantage in distance is clearly depicted in the following rail mileage comparisons with the other principal Canadian steel mill sites:

<u>From</u>	<u>To Toronto</u>	<u>To Windsor</u>
Sault Ste. Marie, Ont.	439 miles	656 miles
Hamilton, Ontario	40 miles	190 miles
Sydney, Nova Scotia	1,258 miles	1,483 miles

Regarding the incidence of transportation charges and more particularly recent increases in rates and their effect on the competitive position of Sydney steel operations, the following statements were made comparing carload rates on "steel bars" between selected points.

THE ACTING CHAIRMAN: I think we should have a short recess -- five minutes.



MR. SMITH: I am sorry, I am taking a little longer than I expected.

THE ACTING CHAIRMAN: Don't apologize. The recess is for you.

--- A short recess.

THE ACTING CHAIRMAN: Shall we come to order, please?

MR. SMITH: With some measure of contrition I have to acknowledge an error which appears on page 2.

THE ACTING CHAIRMAN: Well, you are human, the same as the rest of us.

MR. SMITH: It appears on page 2 in the quotation from the Board judgment, in the first paragraph. In some manner an error has crept in in the proportion. It reads: "Approximately 40 per cent of Canadian Pacific's freight tonnage, consisting of grain and grain products ...". That figure should be 30 per cent.

I imagine some of my friends, including Mr. Frawley, would go up in the air on that error.

COMMISSIONER MANN: I think you can derive some comfort, Mr. Smith, from the fact that the most recent estimate is 36 per cent.

MR. SMITH: I was dealing with the Dosco submission to the Gordon Commission when we recessed.

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74. ¹ Steel Bars

To	From Sydney			From Hamilton			From Sault Ste. Marie		
	² 1948	³ 1955	% Inc.	1948	1955	% Inc.	1948	1955	% Inc.
Tor-onto	38	75	97.4	9	13	44.4	34½	55	59.1
Wind-sor	53	121	128.3	21	29	38.0	41½	81	95.1

¹ Lowest carload rail rates, competitive or other wise, in cents per 100 lbs. carload minimum weights as per tariffs.

² April 7, 1948.

³ October 1, 1955

75. On a per net ton basis the spread on steel bars from Sydney to Toronto and Windsor markets vis-a-vis Hamilton origin was said to have increased between April 7, 1948 and October 1, 1955 as follows:

(in \$ per net ton)

At Toronto			At Windsor		
1948	1955	Inc.	1948	1955	Inc.
\$5.80	\$12.40	\$ 6.60	\$6.40	\$18.40	\$12.00

The above figures show that in 1955 the Sydney steel operations, as compared with Hamilton, had to absorb at Toronto \$6.60 per ton more than they did in 1948, that the freight rates have increased on the Sydney movement to \$12.40 and that correspondingly the Sydney steel



operations, as compared with Hamilton, must absorb at Windsor \$12 more than in 1948 as the freight rates have increased on the Sydney movement to \$18.40 per ton.

76. The relative transportation burden in 1955 against Sydney to the Toronto and Windsor markets is perhaps best illustrated by the following table from the DOSCO brief showing the percentage which transportation costs bear to an approximate price on a typical steel product from Sydney, Nova Scotia; Hamilton, Ontario and Sault Ste. Marie, Ontario, as at those markets.

From:	Sydney	Hamilton	Sault Ste. Marie
At Toronto	14.4%	2.5%	10.5%
At Windsor	22.9	5.4	15.3

77. In the meantime, there have been further increases in freight rates, with the result that the figures corresponding to those shown in paragraph 74 hereof are now as follows:

To	From Sydney			From Hamilton			From Sault Ste. Marie		
	1948	1959	% Inc.	1948	1959	% Inc.	1948	1959	% Inc.
Tor- onto	38	86	126.32 ¹	9	16	77.77	34½	53	53.62
Wind- sor	53	131	147.17 ¹	21	29	38.10	41½	86	107.23 ²
Mont- real	31	69	122.58 ¹	30½	48	57.37	41½	63	51.8

¹ Includes reduction stemming from amendment of Maritime Freight Rates Act July 1, 1957, also reduction occasioned by "rollback" of the last freight rate increase from 17 per cent to 10 per cent.



2

Includes reduction occasioned by "rollback" of last freight rate increase from 17 per cent to 10 per cent.

The rates to Montreal have been added, showing the same trend in relation to that market. The figures corresponding to those shown in paragraph 75 are now as follows:

At Toronto			At Windsor		
1948	1959	Inc.	1948	1959	Inc.
\$5.80	\$14.00	\$8.20	\$6.40	\$20.40	\$14.00

78. As appears from the figures shown in paragraph 77, the competitive position of the Sydney steel operations have been worsened substantially during the past four years.

79. Other examples of the effect of the transportation factor in relation to some other sources of supply for canned apple juice, salt and reinforcing steel respectively are set out in the tables below and it is submitted these tables show clearly the eroding effects of horizontal rate increases upon Nova Scotia products, as well as the competitive rate picture elsewhere.



COMPARABLE CARLOAD RATES ON REINFORCING STEEL
MOVING FROM AMHERST, N.S. AND MONTREAL, P.Q.
ON APRIL 7, 1948 and JUNE 1, 1959 RESPECTIVELY

TO QUEBEC, P.Q.

(a)
Rates in cents per 100 lbs. Cost of Ship. per Car

From:	<u>1948</u>	<u>1959</u>	<u>1948</u>	<u>1959</u>
Amherst, N.S.	28	62	112.00	248.00
Montreal, P.Q.	25½	36	102.00	144.00

(a) Based on a carload minimum weight of 40,000 lbs.

80. There are also important industries using imported raw materials for the manufacture of products which are marketed nationally, as well as locally. These include primary textiles, knitted goods and other apparel, confectionery and so on.

81. While a coastal location for industries of this kind may be an advantage where raw materials or a portion thereof are imported from overseas, geography imposes some handicap on the finished goods in reaching the national market. While this has been to some extent mitigated by the Maritime Freight Rates Act, the benefits of the legislation have been greatly diminished by rising freight costs and by the impaired competitive position consequent upon the imposition of the freight rate increases by the horizontal percentage method.

I am sorry that Mr. Schwartz is not in the province at the present time and I have to do it in this way. I will read what he has stated:



"Our company's business consists of the manufacture or processing of food products and condiments such as prepared mustard, peanut butter, spices, household flavouring extracts, etc.

Until 1920 the sale of our products was quite localized and confined mostly to Nova Scotia. In 1921 to expand our business we attempted to sell on the Quebec market. Our products were acknowledged to be higher quality than those being manufactured in Quebec, and although our prices were higher we managed to get a foothold. As the years went by competitors improved their qualities, although we continued to increase our sales.

After the war with the increases in freight rates it became apparent that we could not continue to sell in this market and give service to our customers on a profitable basis, and in 1949 we bought out the S.H. Ewing Company, a competitor in Montreal who had similar facilities for the manufacture and distribution of our products. Today, ten years later and despite considerably lower prices, on the average of our turnover we find our volume is six times that of 1949.

Our products are for the most part packed in either glass or tin containers, all of which are manufactured in the central provinces and sold on an f.o.b.



factory basis. It will be found that for all food products sold at comparatively low prices, such as those we manufacture, the cost of the containers in the smaller sizes will be the larger portion of the cost of the finished product. Thus, the cost of these containers is more important than one might think.

Below are some comparisons:

	<u>Delivered Halifax</u>	<u>Delivered Montreal</u>
Spice cans	\$ 25.27M	\$ 24.10M
1-lb. coffee cans	103.60M	97.70M
24-oz. jars	6.61 gr.	5.65 gr.
#63 m/m caps	13.00M	12.20M

Based on the above costs we find that our prepared mustard packed in 24-oz. jars costs f.o.b. our Montreal plant \$1.21 per dozen and the same product f.o.b. plant floor Halifax costs \$1.30 per dozen, a difference of \$1.08 per gross.

If we had continued manufacturing in Halifax for our Quebec trade, on the present carload rate of freight to Montreal of \$1.09 our laid-down cost there would be \$1.61, and without making any consideration for distribution costs there would have been a difference in our cost as compared with that of Montreal manufacture of 40 cents per dozen, or 33 per cent. These costs are for



containers and product materials only and do not include overhead or manufacturing costs of any kind."

Now, I have a supplementary oral statement to make in this connection: I suggest perhaps, that your Commission may have some difficulty in following these calculations, because there has been one factor omitted; namely, the gross weight of the twelve jars each containing 24-oz. of prepared mustard and I propose to enlarge upon the above paragraph and to make the following corrections.

The carload freight rate to Montreal of 109 cents should read; 105 cents per 100 lbs. This rate consists of 11 cents cartage at Halifax, 79 cents rail rate from Halifax to Montreal and 15 cents cartage from railway car to warehouse at Montreal.

As stated in the information from Schwartz & Sons Limited, distribution costs in Montreal are not included in the total freight rate, because the cartage in Montreal of 15 cents is merely the cost of moving the product from railway car to warehouse. It is the Company's experience that it is impractical to distribute the product to the trade directly from the railway car.

The gross weight of the twelve jars of prepared mustard packed for shipment is 28 lbs. and the total freight charge thereon is 29 cents, being 28/100 of 105.



THE ACTING CHAIRMAN: I remember very well Mr. Schwartz giving evidence before the Board in 1947 in Ottawa, I think he was a witness called by Mr. Burchill, and I remember how interesting his evidence was as to mustard, showing the development of their market in Quebec and threatening then to move his plant to Montreal, which apparently he has done.

MR. SMITH: He has continued his operations in Halifax, too; he has two plants now.

The laid down cost of the twelve jars at Montreal is therefore 159 cents made up of the f.o.b. plant floor Halifax cost of 130 cents per dozen and the 29 cents freight charge.

The difference in Schwartz's cost and that of the Montreal manufacturer is 38 cents per dozen, or the total cost to the Halifax plant is 31.8 per cent greater than that of the Montreal manufacturer.

Then he mentions that the above is an example of how adversely the freight rates affect the manufacturer of our type of foods, and then he assumes other people will be in the same position.

83. As a part of its industrial development program the Department of Trade and Industry has investigated a number of specific industries with the object of delineating unexploited opportunities. Some of the findings may be of interest to this Commission. It should be noted that the examples quoted are intended only to indicate the type of situation encountered in the



promotion of industrial development in Nova Scotia.

84. The importance of food processing to the economy has already been noted and in the belief that there is further potential in the field of quick freezing of fruits and vegetables, a study was undertaken. It was demonstrated that a Nova Scotia processor of frozen peas selling in a regional market would have an advantage over outside competition and the basis of this was largely the transportation factor.

85. There has been considerable interest in this possibility but as yet no production of the particular item, frozen peas. Facilities have been added and an increase in frozen fruit production has taken place. Although it can still be regarded as a potential opportunity, limiting factors appear to be the size and nature of the market in Nova Scotia and the Atlantic provinces and the nature of the competition. Thus it may be true to say that rising freight costs provide a form of protection to local industry; yet more frequently they are reflected in higher costs to the consumer than in more local industrial development.

86. One of the problems in the food processing industry already adverted to is the absence of a local supply of cans and glass bottles. As mentioned, these containers must come from central Canada or as imports. The feasibility of both of these industries has been investigated by the Department of Trade and Industry.



87. On metal containers, it was found that the regional market would not support automatic can production on an economic scale. A study was then made of the production of specialty cans including an analysis of the transportation factor. The study shows a modest freight advantage in bringing tin plate from Hamilton over shipping cans. Further, it was felt that service from a local supplier would be a favourable selling factor. Although the possibility has been carefully examined by several firms in the metal working industry, it has not been taken up. Again it would appear that market limitations constitute the deterrent factor but it may be that a more favourable relationship between shipping costs for tin plate and cans would improve the profit picture and encourage more active interest in the possibility.

88. Most of the raw materials for the manufacture of glass containers have also to be shipped from some distance and freight costs represent a significant part of their cost at a plant assumed for purposes of the study in question to be located at Halifax. Raw materials represent 28 per cent of manufacturing costs. Freight is also a substantial factor in the cost of shipping the finished product, estimated by the report at 5 per cent of the selling price.

89. It has not been possible to interest manufacturers to the point of proceeding with such



an establishment. The size of plant required for economic operation in relation to the regional market, limited in size and widely dispersed, has discouraged the prospect of profits. To attempt to sell a substantial part of such production in Quebec or Ontario does not seem practical and in the most promising market in the export field, the British West Indies, there would be competition from facilities there as well as from United Kingdom suppliers who have exchange as well as cost advantages.

90. The electrical products industry was studied for possible opportunities for development in Nova Scotia. In the course of this investigation some data from an actual plant location study by an individual company were obtained including transportation costs.

91. A comparison had been made between costs for an electrical products plant in Halifax and in Toronto. The information supplied by the company in question together with data from other company interviews led to the conclusion that the primary determinant in the concentration of the electrical industry in Ontario is proximity to markets and to sources of supply for raw materials. This can be assessed in dollars and cents for shipping costs but it is realized that account must also be taken of other considerations.

92. The primary markets for electrical products, both consumer and industrial, are located in areas of population concentration.



Ontario represents 33.6 per cent of the population of Canada. Ontario and Quebec (which is easily served from Ontario) together represent 62.5 per cent of the population. The Maritime provinces, on the other hand, account for only 11 per cent.

93. Electrical manufacturers locate close to their markets in order to keep transportation costs and times as low as possible. One of the companies interviewed compared the costs of shipping finished products from Toronto and from Halifax. The company estimated the pounds of products that would be shipped to each of its major markets and used rail carload rates for determining transportation costs. The most significant finding was that shipment of 5.37 million pounds of product would cost \$73,523 from Toronto and \$100,363 from Halifax -- a differential of about 40 per cent. It would appear that until other regions become populated or industrialized enough to provide adequate markets, the electrical industry will continue to concentrate in Ontario and, to some extent, in Quebec.

94. The company that studied the transportation costs for finished products also compared the costs of transporting raw materials to plants located in Toronto and Halifax and concluded from its study that for a Toronto plant the cost would be \$40,520, whereas for a Halifax plant it would be \$67,550, or approximately 65 per cent more. These figures assume rail transportation except for raw materials imported from the United Kingdom.



They reflect the lack of a rail subsidy for raw materials flowing West to East.

That concludes my study furnished to me by Miss Linkletter of the industries and resources.

95. It is anticipated that your Commission will be furnished with information in relation to particular industries, producers and shippers in Nova Scotia, and that submissions will be made with respect to their several situations at the Halifax sittings of your Commission. The province, therefore, craves leave to refer to the evidence so adduced and the representations made insofar as they relate to any of the topics which have been discussed in this submission.

96. The province now refers to term (a) of the Order in Council:

"Inequities in the freight rate structure, their incidence upon the various regions of Canada, and the legislative and other changes that can and should be made in furtherance of national economic policy to remove or alleviate such inequities."

97. In preceding paragraphs of this submission, the chief products of the province have been stated and the markets therefor have been referred to, as well as their degree of dependence on rail transportation.

98. Specific references have been made



in this connection to the degree of such dependence in respect of inbound materials and producer goods.

99. The annual freight rate costs for inbound raw materials and for a specified number of units of production for a number of local companies or industries have been indicated and also their relative freight costs, as compared with the freight costs of their competitors in Ontario and Quebec.

100. The adverse effects of the cumulative horizontal freight rate increases on specific industries of importance to the province have been adverted to and it is submitted it has been demonstrated that the effect of such increases has been to restrict or impair the market area of such industries, and largely to force them back to a purely regional market. Consequently, instead of being afforded "the larger market of the whole Canadian people", they are limited, to a large degree, to the restricted market of the Maritime provinces. Owing to the small size and dispersed nature of that market, freight rates cannot operate effectively as "a tariff wall" for the protection of local industries against the competition and inroads of outside competitors. It is also pertinent to point out that the restriction to the smaller market has, of necessity, a most adverse effect on the earnings of the railway companies.

101. Throughout this submission the



importance of transportation to the commodity producing industries has been emphasized. It will be recognized, as well, that the transportation services offered and the related costs are of vital concern to the distributive and service trades in Nova Scotia. Finally, as all citizens are consumers, every individual has a direct interest in the purview of this Commission. In that connection it should be noted that the estimated value of retail trade in Nova Scotia in 1957 was \$530 million. Recalling the composition of manufacturing in the province with its preponderance of resource-based and heavy industry, it will be recognized that the great bulk of consumer goods is purchased elsewhere than in Nova Scotia. Figures are not available on the proportion that is brought in by rail but it is fair to say that consumers and trade establishments in Nova Scotia are paying a growing share of Canada's total consumer goods freight bill in relation to their total purchases.

102. It is submitted that a national transportation policy can only have meaning if such a policy is based on the economic needs of the several provinces, and that this precludes the development of a uniform national transportation policy based absolutely on equalized freight rates. This is an economic and transportation axiom which has been recognized by the Board, as well as by Government. It is only necessary in this connection to refer to the Maritime Freight

Rates Act and its several amendments, as well as to Section 336(4) and (4)(f) of the Railway Act.

103. The Maritime Freight Rates Act and amendments and the system of rate making by the establishment of arbitraries over Montreal have been essential to the maintenance of industry, trade and commerce in the Maritime provinces, based as they were on pre-Confederation commitments and the claims of natural justice and equity.

104. Unfortunately, owing to the post-war increases made on a horizontal percentage basis, the purposes and intent of the Statute have been frustrated and its benefits largely destroyed. It is essential, therefore, that insofar as the economy of this province is concerned, there be a revision and re-statement of the Act to carry out its purposes and intent and that a method of keeping the Act effective to achieve such purposes and intent be found and applied.

105. The method to be adopted must protect our economy, not only now but in the future, in view of the very real prospect of there being increases in freight rates.

106. While this province has not accurate measurements of rate levels in other parts of Canada, it has been long recognized that the intense carrier competition which exists in central Canada lessens the impact of railway freight rate increases there, as the late Dr. H. A. Innis said in his Memorandum on Transportation, at pages 296-297



of the report of the Royal Commission on Transportation, 1951:

"The eloquent silence of Ontario and Quebec in rate cases and in the hearings of this Commission points to the effectiveness of truck and water competition in keeping down rates in the St. Lawrence region. More extensive and better highways bring an increase in the density of traffic, greater diversification of industry, lower interest rates on capital, and even greater extension and improvement of highways. Ability to escape from the full impact of increases in railway rates accentuates the burden of these increases on other regions and compels these regions to concentrate on highway construction as a means of escaping from the burden of higher short haul rates and long haul rates."

107. It is believed that not only has it been possible for the Central Canadian traffic to escape from the full impact of post-war rate increases, but a substantial portion of that traffic actually enjoys rates now which are lower than those in effect before 1948 and during the depression years in the decade before the Second World War.



108. The province does not intend in this submission which, as already stated, is in the nature of a preliminary submission, to suggest what must be done to resolve the difficulties which have arisen. It proposes to have statistical and other factual information presented and representations made on its behalf at the Ottawa sittings of your Commission. It therefore respectfully craves leave to adduce such evidence and make such submissions then through the agency of the Maritimes Transportation Commission or otherwise as it may deem fit and proper.

109. For similar reasons, it is the submission of the province that consideration on its behalf of the other terms of reference can be more effectively had at the Ottawa sittings and it therefore asks the indulgence of your Commission to have those matters dealt with at that time.

110 The province concurs in and adopts the Joint Submission which will be made to your Commission on behalf of the ports of Halifax and Saint John at the Fredericton sittings.

All of which is respectfully submitted.

THE ACTING CHAIRMAN: Thank you, Mr. Smith, and we will look forward with interest to your suggestions at Ottawa. Knowing something of the work of the Transportation Commission we can expect something very constructive from you. I think it will interest you all to know that Mr. Smith quoted from Professor Innis in the Turgeon Commission



as to the eloquent silence of Ontario and Quebec. For the first time in the history of a Transportation Commission we have both Ontario and Quebec working with us. I think we have had a very interesting and friendly meeting with the Government of Quebec and one is being arranged with Mr. Frost. They are coming into the family in a way which I think augurs well for the success of this Commission. There are two or three questions, Mr. Smith. You refer to agreed charges.

MR. SMITH: Yes, sir.

THE ACTING CHAIRMAN: Well, the agreed charge, whether it has merits or not, was a device that the railways felt they had to adopt to meet competition from trucks and from water. The result is that as agreed charges increased in number there is a continual erosion of what we call normal traffic.

MR. SMITH: That is my submission.

THE ACTING CHAIRMAN: That is your submission that the very large increase in agreed charges place them more or less in the category of statutory rates so far as normal traffic is concerned. They are not subject to increases from time to time except by agreement?

MR. SMITH: I think most of them are for one year with provision for cancellation.

THE ACTING CHAIRMAN: But they are made and left in until cancelled. On page 30 at the bottom of number 94 you say:



"They reflect the lack of a rail subsidy for raw materials flowing West to East."

MR. SMITH: Well, I do not know that the word "subsidy" is the best word. That there is no amelioration or reduction in the rates moving east.

THE ACTING CHAIRMAN: The application of the Act is move West and not East?

MR. SMITH: That is right.

COMMISSIONER GOBEIL: I have only one question. On the first page you refer to those percentage increases and you say:

"The full amount of an authorized percentage increase can be effectively applied only upon the so-called 'normal' traffic..."

MR. SMITH: That is a quotation from the Judgment of the Board of Transport Commissioners for Canada.

COMMISSIONER GOBEIL: Yes, and further on in the same paragraph it is mentioned that this normal traffic is more than one-third of all the traffic -- that is on page 2?

MR. SMITH: Yes.

COMMISSIONER GOBEIL: "'Since 1953 this normal traffic has drastically shrunk in volume and now constitutes only about one-third of the total freight revenue of all railways.'"

MR. SMITH: Yes.

COMMISSIONER GOBEIL: That one-third per cent will apply to Nova Scotia or will it be less here?

MR. SMITH: I do not think there is any accurate measurement of that. It is very difficult to get information as to the different regions as to the percentages but I think the Commissioners are speaking of all the traffic.

COMMISSIONER GOBEIL: I thought perhaps it might mean only 15 per cent over 20 per cent.

MR. SMITH: Well, it is our submission that there is less moving on competitive and agreed charges within Nova Scotia than other parts of Canada. That can only be derived from the Way Bill Study and I have not made a comparison. We are here only submitting evidence of a rather general nature and that requires a detailed study before I can satisfactorily answer your question.

COMMISSIONER GOBEIL: What I was thinking, the central provinces pay only 10 per cent of that normal traffic and you carry the high percentage or they pay 50 per cent and you may only have 10 per cent.

MR. SMITH: In certain cases even in competitive rates there have been reductions in competitive rates in the Maritime provinces but in many cases there has not been the same reduction in the Maritimes as in central Canada.

THE ACTING CHAIRMAN: We can always rely on Mr. Mann to ask some questions.



MR. SMITH: I might duck his questions and ask Miss Linkletter to answer them. I am much better at asking questions than answering them.

THE ACTING CHAIRMAN: I am concerned for the record. I know that we all want to make the record as complete as possible so that, for instance, the Chairman, Mr. McTague will have the complete story. I know how familiar Mr. Mann is with the subject so that he will know what is desirable to go on the record. He knows the subject.

COMMISSIONER MANN: Due to the clarity of this submission there are only a very few questions. I have a question with regard to page 9, paragraph 21, the very last few words:

"... traffic which is more securely bound to the railways due to relative or actual absence of effective competition."

I was looking at the word "relative" and I wonder whether you mean by this that the competition where it does exist is quantitatively smaller or qualitatively weaker or both?

MR. SMITH: Both.

COMMISSIONER MANN: Then on page 18, paragraph 63 you say that some crushed gypsum goes inland to Montreal by rail. Are there any gypsum products like gypsum board manufactured in Nova Scotia?

MR. SMITH: I do not think so.

COMMISSIONER MANN: So it is just raw material?



MR. SMITH: The raw material. The major plants, of course, are outside of Windsor and the National Gypsum plant at Lantz siding and also a plant at Little Narrows. There is a plaster company, the Windsor Plaster and Lime Company which has been taken over by -- it used to be the Gypsum Lime and Alabaster, it is now Dominion Tire and Chemical but that makes plaster rather than gypsum. Mr. Eisner was the manager of that plant as you probably remember.

COMMISSIONER MANN: I am referring now to pages 25 and 26, paragraph 79 where you show the comparison on various commodities as between 1947 and 1959. You give rates there and cost of shipment per car. Now, I was doing a little arithmetic here and I looked at the cost of shipment per car column. I took off the disadvantages or advantages that a Nova Scotia manufacturer might have had in 1947 relative to his position in 1959 and I suppose that is what you mean by the rate eroding effect of horizontal rate increases on specific products?

MR. SMITH: Yes.

COMMISSIONER MANN: Perhaps it might be helpful, subject to a check of my arithmetic, to put those figures on the record. The comparable rates on canned apple juice; disadvantage to the Berwick producer in 1947 \$22.50; 1959 \$159. Rates on salt, the advantage of the Nova Scotia producer in 1937, \$24; disadvantage in 1959, \$26.50. Rates on re-inforcing steel, disadvantage



of the Amherst producer in 1948, \$10; in 1959, \$104.

MR. SMITH: I accept your arithmetic.

THE ACTING CHAIRMAN: It is usually pretty sound.

COMMISSIONER PLATT: I have a couple of questions. Paragraph 33, on page 11, you refer to the existence of free feed grain shipped from western Canada. I assume from that paragraph that you would like this to be continued and how important do you consider the matter of having it made permanent?

MR. SMITH: I consider it very important. Perhaps Miss Linkletter might speak on that topic if you so permit.

MISS LINKLETTER: I do not believe I can add very much to that. It is a very important aspect. I think roughly 75 per cent of the cost is carried under the feed grain assistance program and the removal of that would have a very serious effect on the livestock and related industries. Of course, the fact that it is temporary or at least on a year to year basis means that there is always an element of doubt in the building up of herds and so on.

THE ACTING CHAIRMAN: Mr. Cooper?

MR. COOPER: Mr. Chairman, particularly in view of the fact that as Mr. Smith states in his submission that this is a preliminary submission and further representations in detail will be made in Ottawa, I have no questions at this time.



THE ACTING CHAIRMAN: I think probably, Miss Linkletter, that when you come to suggest a cure in detail and spell it out then there will be more questions.

MR. SMITH: I would think so.

THE ACTING CHAIRMAN: Any other questions of Mr. Smith?

MR. WRIGHT: As Mr. Smith has not prescribed as yet I would like to reserve any examination of the submission of the province until he does so which I understand will be in Ottawa.

THE ACTING CHAIRMAN: I would be disappointed if the C.P.R. did not have some comment to make on cure.

MR. DICKEY: Mr. Chairman, I have one or two questions. On page 9 at the end of paragraph 21 there is a statement quoted by Mr. Platt relating to the relative or actual absence of effective competition. Then, commencing at paragraph 22 it says:

"The competition afforded by the motor trucks to the railways on traffic in, to and out of Nova Scotia is not as pervasive as in other parts of Canada, particularly central Canada."

I am wondering if Mr. Smith can tell us whether or not there has been any particular study of the relative amount of truck competition to which he is referring and the extent to which that competition has increased over any period of



recent years?

MR. SMITH: I do not think there has been a definitive study, just a general study. We intend to tender further information as part of our case at the Ottawa hearings.

MR. DICKEY: Would Mr. Smith be prepared now or later at the Ottawa hearings to express any opinion as to the effect of the Maritime Freight Rates Act, the deduction in rail rates applicable under that Act to the traffic to which the Act applies affecting the competitive impact of transportation as against rail?

MR. SMITH: That will be a matter that will be studied. I cannot assure you what the nature of our submission will be in that regard. As to the general nature, it is all bound up in the whole treatment of the M.F.R.A. and at this time I cannot make any specific submission. The whole matter is under study and of the most intense kind.

MR. DICKEY: On page 10, paragraph 27 you say:

"The principal sources of farm income are dairy products, poultry and eggs, livestock, forest products, and fruits and vegetables, in that order."

Has there been any study at all of the extent to which rail has contrasted to truck or highway --

MR. SMITH: As far as I know I do not think there has been. That is, by the province of Nova Scotia. Now, as for the Maritime



Transportation Commission, I am not speaking for them at this time.

MR. DICKEY: And on page 11, paragraph 34, you say:

"Referring to apples, with the long-term decline in the United Kingdom market, sales on the domestic and North American markets have become more important. This has meant an increasing dependence on rail freight both for shipments within the Atlantic provinces and to central Canada."

MR. SMITH: Yes.

MR. DICKEY: Has any study been made on which that paragraph is based?

MR. SMITH: I think it is general information which has been supplied us gathered by the Department of Trade and Industry. Perhaps Miss Linkletter could speak on that point.

MISS LINKLETTER: I cannot add any quantitative information on that point. It may be that the processors will be able to.

MR. SMITH: There is a submission being made on behalf of certain processing plants.

MR. DICKEY: But the processors, as I read this paragraph it seemed to refer to apples and not the processed product.

MISS LINKLETTER: I was thinking in terms of handling both the processed and fresh apples. There is no study to my knowledge that



would document it.

MR. DICKEY: Thank you.

MR. BOYD: At the presentation in Ottawa I wonder if Mr. Smith could elaborate the details of a statement made in paragraph 107, on page 33 where it is stated:

"... a substantial portion of that traffic actually enjoys rates now which are lower than those in effect before 1948 and during the depression years --"

MR. SMITH: I think we will have something on that for you at that time.

MR. BOYD: Thank you very much.

THE ACTING CHAIRMAN: Well, thank you very much, Mr. Smith, for your presentation and we will hear you further in Ottawa.

MR. SMITH: If I survive.

THE ACTING CHAIRMAN: Is Mr. Bragg here?

MR. BRAGG: Yes.

THE ACTING CHAIRMAN: You have a submission to make, I think, Mr. Bragg. As I understand it your submission is supplementary to the one made at Fredericton?

MR. F.D. SMITH: By way of introduction, Mr. Bragg is appearing on behalf of the Nova Scotia members of the Maritime Lumber Bureau. As you will recall, Mr. Burchill made a submission on behalf of the Maritime Lumber Bureau at the Fredericton sitting. I understand that Mr. Bragg has a supplementary submission.



THE ACTING CHAIRMAN: You are supplementary to what Mr. Burchill and Mr. MacKay gave us in Fredericton?

MR. BRAGG: That is right.

SUPPLEMENTARY SUBMISSION ON
BEHALF OF
NOVA SCOTIA MEMBERS OF THE
MARITIME LUMBER BUREAU

Appearance:

Mr. C. Elmer Bragg

EXHIBIT NO: 27: Brief submitted by
Maritime Lumber Bureau.

MR. BRAGG: My name is C. Elmer Bragg.

I am a member of the Maritime Lumber Bureau.

I reside and carry on the business of the Bragg Lumber Company Limited, at Collingwood, Nova Scotia, and also own one-half interest in the Cobequid Lumber Company Limited, a dressing plant at Oxford Junction, Nova Scotia.

I appear on behalf of the members of the Maritime Lumber Bureau.

I desire on their behalf to state their concurrence in and approval of the representations which were made by the Bureau in its submission presented at the Fredericton sittings. I have been requested by the members of the Bureau to present, at the Halifax sittings, a supplementary submission touching upon railway transportation problems which directly concern the industry.

May I at the outset refer to the Bureau's



submission and particularly to the statement found in paragraph 5 thereof to the effect that statesmen and leaders from both the Maritime provinces and Canada recognized that a railway should be constructed as a channel of mutual commerce and trading. The Duncan Report, as well as the preamble to the Maritime Freight Rates Act, also attest the self-evident truth that the railway was designed, among other things, to give to central Canada an outlet and inlet on the Atlantic Ocean. This, of course, it did not have during the long winter months when ice conditions in the St. Lawrence and the Gulf of St. Lawrence prevented navigation. Connection by rail to the great winter ports of the Maritime provinces was therefore of paramount importance to central Canada. These ports were open all year round and connection by rail at all times was of vital significance to central Canada. The construction of the Intercolonial Railway was, therefore, as was well understood, essential to the union of the provinces, not only from the point of view of the Maritime provinces but equally so of Upper and Lower Canada. The trade and commerce of the Canadas was, to a very substantial degree, dependent upon the use of the Atlantic ports.

I refer also to paragraph 22 of the submission of the Bureau, in which it is pointed out that the difficulties encountered in the lumber market of the United Kingdom caused by exchange and other problems have resulted in a material



diminution of the quantity of lumber shipped overseas. It is equally true that the premium of the Canadian dollar has had a very adverse effect on the volume of lumber which can be shipped to the United States. Both these factors consequently make the Canadian lumber market of much greater importance to the Maritime lumber industry than it previously had been. If our lumber industry is to survive, it is essential that it should not have to absorb increasing transportation costs to which our competitors in the common market are not subjected to the same or similar extent.

I desire also to repeat and expand upon what is stated in paragraph 28 of the Bureau's submission in respect of the absence of through rates on lumber from stations on the Dominion Atlantic Railway. The examples shown in Table D annexed to the submission of the Bureau, demonstrate the handicaps to which shippers in that territory, as opposed to shippers on one line of railway only, labour under. Our members who have to do business from stations on the Dominion Atlantic are not convinced that it is either just or reasonable that there should be these divergencies in transportation costs as between the two-line and the one-line haul. It is therefore respectfully requested that your Commission take this situation under consideration and recommend that these divergencies be done away with.



I wish also to refer, on behalf of the members of the Bureau, to one other point, namely to the prevailing level of freight rates on lumber traffic between points which both originate and terminate in the Maritime provinces or, in other words, traffic within the Maritimes, especially traffic moving to our newest province Newfoundland. In dealing with the question, I am speaking for the Bureau members, including myself. It is our submission that in many cases the commodity rates on lumber are so high that the traffic will not freely move by rail. May I support my contention in this regard by reference to my own experience. I made arrangements with a nationally known manufacturer in Saint John, New Brunswick, to sell and ship to it hardwood lumber. Hardwood lumber is heavy and as the rates are based on weight, the transportation cost is, of necessity, substantial both actually and relatively to its value. In the shipment of the lumber in question from Oxford Junction, Cumberland County, Nova Scotia, the commodity rate was 33 cents per 100 pounds. This was a prohibitive rate and would have prevented the shipment. Fortunately, I was able to persuade the railway to grant an agreed charge of 27 cents, which enabled me to make the shipment.

I might say at this point that I have brought some copies of this agreed charge with me, if the Commission would like to have them.



What I desire to emphasize in this connection is that the freight rates on lumber shipments within the Maritimes including those to Newfoundland which are now in existence have so increased that they will no longer, in many cases, permit the movement of the lumber and that if, as may very well happen, there are further increases in the future, the movement of lumber by rail within this area will be greatly curtailed and the lumber industry suffer a very severe loss.

In the circumstances, I respectfully suggest that the railways should be directed to recognize the existing situation and to take due and proper measures to have freight rates on lumber shipments which are fair and bear a reasonable relationship to the services rendered and the needs of the lumber industry in the Maritime provinces.

I wish to thank you on behalf of the members of the Bureau for the opportunity which you have afforded me to appear before your Commission and to make these supplementary representations for our Maritime lumber industry.

THE ACTING CHAIRMAN: Mr. Bragg, I would think, from the first part of your submission, that you maintain that the Maritimes -- Nova Scotia anyway and New Brunswick -- went into Confederation not as a matter of necessity but of what they thought was good business?

MR. BRAGG: Yes, that is right; also, sir, that we were needed by the two central



provinces -- they needed us as much as we needed them, in other words.

THE ACTING CHAIRMAN: Mr. Cooper, you haven't put in this supplementary submission as an exhibit.

MR. COOPER: The supplementary submission will be filed as Exhibit No. 27. It is, of course, a supplementary submission on behalf of the Nova Scotia members of the Maritime Lumber Bureau.

THE ACTING CHAIRMAN: Now, the agreed charge to which you referred, Mr. Bragg, when was that obtained?

MR. BRAGG: It would be effective July 23rd. I believe I started -- Mr. MacKenzie could bear me out -- I think it was March or April.

THE ACTING CHAIRMAN: Of this year?

MR. BRAGG: Yes.

THE ACTING CHAIRMAN: You are not filing this agreed charge; you are just stating the facts in connection with the charge?

MR. BRAGG: Yes.

THE ACTING CHAIRMAN: Do you want to file the charge?

MR. BRAGG: If you would like to have it. I have copies here.

THE ACTING CHAIRMAN: It might be of interest as it is the first one.

MR. COOPER: May I say that the agreed charge document will be filed as Exhibit 27-A.



EXHIBIT NO. 27A: Copy of Agreed
Charge document.

THE ACTING CHAIRMAN: What is the number
of the agreed charge?

MR. COOPER: The number of the agreed
charge is No. 721.

THE ACTING CHAIRMAN: Have you any
questions, Mr. Platt?

MR. PLATT: No.

THE ACTING CHAIRMAN: Mr. Cooper?

MR. COOPER: Mr. Bragg, are you in a
position to state whether any other members of the
Lumber Bureau in Nova Scotia have agreed charges?

MR. BRAGG: Not to my knowledge. I haven't
found any. I have asked many of them. I believe
that maybe Mr. Dixon might answer that point. No,
we don't know of any.

MR. COOPER: You enjoy the only agreed
charge amongst lumber dealers in the province, so
far as you are aware?

MR. BRAGG: I think so.

THE ACTING CHAIRMAN: Have you any
questions, Mr. Wright?

MR. WRIGHT: The agreed charge covers what
movement?

MR. BRAGG: The shipment of hardwood
lumber from me to T. S. Sims and Company at
Saint John; it is hardwood lumber used in the manu-
facture of brushes and broom handles of all kinds.

MR. WRIGHT: You referred to paragraph
28 of the brief presented at Fredericton by the



Maritime Lumber Bureau.

MR. BRAGG: Yes.

MR. SIMS: In which reference is made to the question of through rates on points on the D.A.R.

MR. BRAGG: Yes.

MR. WRIGHT: Have you discussed that question with the railways at all?

MR. BRAGG: The only one that I have discussed that with -- I haven't discussed it with the railways -- I did discuss it with Mr. Scott of Pulp & Power, and he told me they had an agreed rate charge from Weymouth which became effective on September 29th this year, and the agreed rate was still four cents higher than the comparable rate on one line haul. I am informed that it is not an agreed rate. Mr. Scott said he would be in here this morning, if at all possible. They don't have an agreed rate, but they have --

MR. WRIGHT: But you yourself, Mr. Bragg, have not discussed the question with the railways?

MR. BRAGG: No, I have not, because I have no shipments of my own on the D.A.R.

THE ACTING CHAIRMAN: Mr. Boyd?

MR. BOYD: No questions. Despite the best efforts of Mr. Smith we haven't got a copy of this brief, and it makes it very difficult to question as everybody else has a copy and we don't have a copy.

THE ACTING CHAIRMAN: Any other questions? Mr. Dickey?



MR. DICKEY: When did this rate become effective -- the rate under the agreed charge?

MR. BRAGG: July 23rd, I believe, of 1959.

MR. COOPER: Perhaps I can assist. I have the agreed charge here, No. 721, which has been filed as Exhibit 27-A.

It is an agreed charge between Canadian National Railways and Bragg Lumber Company on lumber specified in paragraph (b) of the document, from Belmont, MacCann, Oxford Junction, Springhill Junction and Tatamougouche, all in Nova Scotia, to Saint John, N.B., established July 29th, 1959; and it is expressed by paragraph 8 of the conditions attaching to the agreed charge that it will remain in effect for a period of one year, and, thereafter, until terminated by 98 day's legal notice, given pursuant to the Transport Act.

THE ACTING CHAIRMAN: Go ahead, Mr. Dickey.

MR. DICKEY: Did I understand you to say, Mr. Bragg, that shipments were made earlier, in March or April?

MR. BRAGG: No; the negotiations started; I started negotiations with the railway people in March, or early April.

MR. DICKEY: And when did shipments begin under the arrangements?

MR. BRAGG: Well, my shipments started in July, at that time.

MR. DICKEY: That is all.

THE ACTING CHAIRMAN: Are there any



other questions?

Thank you very much, Mr. Bragg.

Well, I think we will hear now from Mr. Kernaghan. Is he here?

COLONEL V. OLAND: I am representing Mr. Kernaghan.

MR. F.D. SMITH: By way of introduction, Mr. Chairman, Colonel Oland is Vice-President of the Halifax Board of Trade.

THE ACTING CHAIRMAN: Will you come forward, Colonel Oland?

COLONEL OLAND: Mr. Chairman, we are not submitting a brief of our own, but we are supporting the Saint John Board of Trade, as our problems are similar; and, therefore, our brief, as such, is identical. We don't have to waste time by reading it again.

THE ACTING CHAIRMAN: Well, I take it you collaborated?

COLONEL OLAND: Yes.

THE ACTING CHAIRMAN: You collaborated in the drawing up of the brief?

COLONEL OLAND: That is correct.

THE ACTING CHAIRMAN: And you endorse the brief?

COLONEL OLAND: That is right.

THE ACTING CHAIRMAN: And you do this simply to go on record to that effect?

COLONEL OLAND: Yes.

THE ACTING CHAIRMAN: Thank you.



I think we might adjourn now and start this afternoon with Mr. Guptill of Weymouth Industries, and then Industrial Shipping Limited.

MR. F.D. SMITH: I understand that is Mr. Robertson, and I think he wishes to make his submission on Monday.

THE ACTING CHAIRMAN: The canning industry -- are they ...?

MR. F.D. SMITH: Yes, I understand they will be here.

THE ACTING CHAIRMAN: Then, perhaps they would be ready to go on after Mr. Guptill.

MR. F.D. SMITH: There was a submission, which I have no connection with, to be made on behalf of the Cape Breton Industrial Council. There was a gentleman, a Mr. McDonald who was calling from Sydney. I don't know if he will be here this afternoon. I haven't seen the brief, and I know nothing about it; I only saw the article in the paper.

THE ACTING CHAIRMAN: We will adjourn until 2 o'clock.

--- The hearing adjourned at 12.30 p.m. to resume at 2 p.m.



--- The hearing resumed at 2 p.m.

THE ACTING CHAIRMAN: All right gentlemen, come to order.

MR. GUPTILL: Mr. Chairman and Members of the Commission, I am pleased to have this opportunity to speak.

THE ACTING CHAIRMAN: What is your full name?

MR. GUPTILL: My full name is Frank Guptill.

THE ACTING CHAIRMAN: And the address is Weymouth?

MR. GUPTILL: No, my address is Halifax. I am the President of Weymouth Industries.

THE ACTING CHAIRMAN: Will you proceed.

MR. GUPTILL: I have a few comments which I would like to make, which will be brief, in addition to the brief that I have submitted.

The freight rates for delivering furniture to Quebec and Ontario have not permitted Weymouth industries to compete in the Ontario and Quebec markets. Therefore, our sales effort has been concentrated on the Atlantic provinces. The rates for shipping less than carload lots that are available to furniture manufacturers in Quebec and Ontario, from forwarding companies handling pool car shipments, permit them to deliver in Newfoundland -- I am being more specific in the brief -- in Newfoundland, P.E.I., Cape Breton and many New Brunswick points at an advantage



over the base rates available to Weymouth Industries on their furniture.

This advantage amounts to 5 per cent on an average of our selling price, and it is true of points in New Brunswick as close as Amherst; that is also true of Moncton.

THE ACTING CHAIRMAN: Is that by having no resort to pool cars?

MR. GUPTILL: That is right; we have no pool car rates to help us.

THE ACTING CHAIRMAN: There is nobody you can pool with?

MR. GUPTILL: That is true and there are no pool cars for that matter, to my knowledge, going out of the Maritime provinces to other points or from point to point in the Maritime provinces with the exception of some pool cars, I believe, that pick up cargo from Europe from the docks to carry to Ontario; so that it is not a condition of being purely in one small area, the same would prove true in Halifax.

Now, therefore, our problem is that if freight rates are designed -- which I don't know that they are -- to make Maritime goods competitive at points of market in Ontario, Quebec or elsewhere, they are falling short of that objective, and if our products cannot compete in outside markets our manufacturing will decrease or cease to exist except to supply only the needs of the people living here, and in making that statement



I am not thinking only of Weymouth Industries, but of other companies who may now be engaged in manufacturing or might be willing to consider engaging in manufacturing, some manufacturing enterprise, so if in addition the manufacturers in Ontario and Quebec can deliver their goods into our Atlantic markets at rates substantially less than the identical goods may be moved one-third the distance from point to point in this province, it is imperative that some form of relief be found quickly.

I have noted that from 1951 to 1956 the population in the age group from 20 to 35 has increased substantially throughout Canada, but that in the Atlantic provinces it has reduced by 6,000, and that is the age group that builds homes, buys furniture and a great many other things in setting up their families, and it is the age group which I think we would like to keep in the Maritimes, so it would therefore appear there is a lack of employment opportunities and it was partly to that end that the group associated with me, Weymouth Industries, hoped to achieve the dual purpose (1) to make a success of business from our own standpoint and (2) to point the way to development of industry that would help the people of this province and help to keep a greater portion of our young people at home.

Now, if one takes this a step further; if goods can be landed at competitive costs from points of production in the Atlantic provinces to



points of the market in this province and to larger markets throughout Canada, there is real hope for industrial development in this province and with that a higher percentage of employment. If not, I fear that in areas like Weymouth, or other small communities, we will see many people forced to abandon their homes and move elsewhere to find employment and in doing so well, that just develops the law of diminishing returns, and we see a lot of evidence of that in driving around the country hunting partridge and game.

THE ACTING CHAIRMAN: What is the population of Weymouth now?

MR. GUPTILL: Weymouth proper is about 850, but we draw from a labour pool from over 15 miles around, and there is a great deal of local people -- I mean, if employment can be found for them -- and they are the type of people, a great many are Acadian French and they are people who prefer to stay in the areas in which they were brought up. Their strong preference is to remain there if there is an opportunity of doing so.

Now, those few remarks, sir, were outside of my brief. The brief itself, as you know, is not long. Shall I read it?

THE ACTING CHAIRMAN: You can read it.

MR. COOPER: The submission to the Commission by Weymouth Industries Limited will be Exhibit 28.



SUBMISSION OF
WEYMOUTH INDUSTRIES LIMITED

Appearance:

Mr. Frank Guptill - President, Weymouth Industries Limited

EXHIBIT NO. 28: Brief of Weymouth Industries Limited.

MR. GUPTILL: That the transportation problem in the Atlantic provinces discourages the development of new industries and poses a threat to the continuation of existing industries is demonstrated by this frank disclosure from Weymouth Industries Limited, a company that has suffered greatly, and the same general problem affects others in these provinces.

Weymouth Industries was formed eight years ago by a number of successful businessmen who felt that with patience and fortitude an industry could be developed that would show a fair return on capital invested, provide employment in a depressed area and encourage the starting of other small industries. It was planned to manufacture furniture for sale in the Atlantic provinces and pleasure boats to be marketed for the most part in U.S.A., Ontario and Quebec. The two operations fit rather well as both begin with the sawing and machining of wooden parts, then add carpenter labour, the furniture frames then pass on to the upholstering division while



the boats move on to the paint and finishing divisions.

A good supply of carpenters and other labourers who preferred to live and work where they owned homes and a plant that could be acquired at low cost were factors that favoured Weymouth as a location. The ocean freight rate offered by O.K. Service for shipping boats to Boston via Yarmouth was excellent and l.c.l. rail rates for shipping furniture to most points in the Atlantic provinces were favourable by comparison with l.c.l. rates from points of furniture manufacture outside the area. It was recognized that coverings, padding, springs and other materials would have to be brought in and stocked in larger quantities than would be the case if the operation were closer to sources of supply, but in general the overall picture was favourable and the challenge was to produce good products and develop the markets.

We have produced good products and have a good sales organization but our competitive position is adversely affected by delivery charges due to the development of pool car shipments from Ontario and Quebec. The following is a comparison of rates per c.w.t. for furniture by rail l.c.l. from Weymouth and pool car from Montreal and Toronto, together with comments showing the impact on our competitive position.

THE ACTING CHAIRMAN: We can take that table into the record.



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

725A

The following rates on upholstered furniture were supplied to us by carriers.

<u>TO</u>	<u>FROM WEYMOUTH</u> (l.c.l.)	<u>FROM MONTREAL</u> (pool car)	<u>FROM TORONTO</u> (pool car)
New Glasgow	\$ 3.52 cwt	\$ 2.47 cwt	\$ 3.22 cwt
Sydney	4.49 cwt	2.42 cwt	3.01 cwt
Amherst	3.79 cwt	2.50 cwt	3.22 cwt
Halifax	2.59 cwt	2.33 cwt	2.94 cwt
Edmunston, N. B.	5.06 cwt	rate not available	3.35 cwt (app.)
Campbellton, N. B.	4.78 cwt	" " "	3.35 cwt "
Summerside, P. E. I.	4.18 cwt	2.50 cwt	3.22 cwt
Charlottetown, P. E. I.	4.34 cwt	2.35 cwt	2.96 cwt
St. Johns, Newfoundland	7.55 cwt	3.46 cwt	3.75 cwt
Cornerbrook, Newfoundland	5.36 cwt	2.83 cwt	3.11 cwt
Moncton, N. B.	4.00 cwt	2.05 cwt	2.95 cwt
Halifax to Toronto (l.c.l.)	5.59 cwt		

Using as an example a two-piece chesterfield suite, weight 300 lbs:

Our price to a Sydney dealer	\$ 115.00	From Montreal	\$ 115.00
Plus sales tax	11.50	Plus sales tax	11.50
Plus freight	<u>13.47</u>	Plus freight	<u>7.26</u>
Dealers landed base cost	\$ 139.97		\$ 133.76



MR. GUPTILL: The point is that one particular one is Amherst where they ship from Montreal for \$2.50 by pool car, and our rate is \$3.79.

Then, taking that and applying it to our competitive position on a two-piece chesterfield suite, weighing about 300 pounds and selling to a dealer for \$115 -- and our price is the same as from Montreal -- our freight rate to Sydney is \$13.47 and the freight rate from Montreal is \$7.26, so that the dealer's landed base cost from Weymouth after including sales tax is \$139.97 as against \$133.76 from Montreal, and this difference is more pronounced when the dealer has added his percentage of profit and arrived at his retail price.

The freight difference of \$6.21 per suite is nearly 6 per cent of our net sales price. For Weymouth Industries to exist we must have at least \$200,000 of sales volume from areas in the Atlantic provinces where we are, at a cost of delivery disadvantage, averaging 5 per cent of our sales price.

Now, that means if we don't find that business our overhead is too high on the remaining volume, if we do find it, and if we equalize the freight rates we would have to give up \$10,000 of the manufacturing profit, and it is not sufficient to permit us to do that.



Furniture manufacturers in Quebec and Ontario have large markets close at hand providing volume sufficient to cover overhead and produce a profit. We cannot absorb the freight differential to compete in their natural market, but they can - through pool car rates - ship additional production into our natural market at rates not available to us. This places us at a disadvantage.

This is our problem; but from the railway's standpoint, is it necessary or profitable for them to rent cars at such low rates to pool car operators as to permit them to give such an advantage to furniture manufacturers in Quebec and Ontario who do not need as low a rate to compete in the Atlantic provinces - and are these rates high enough to compensate the railway for hauling many of the cars back empty?

Weymouth Industries must have rates for delivering l.c.l. quantities that are at least as low as their Quebec and Ontario competitors to points in the Atlantic provinces, or there is little incentive to continue. The industry is of importance to the Weymouth area as it provides steady employment to 70 workers and at peak periods of the boat building season this figure expands to 125. With improved rates for delivery of furniture and boats the number of employees could be increased - the plant is large enough and additional labour is available. Indirect employment is generated to suppliers of lumber, etc.



Now, we come to pleasure boats. In 1954 we produced and sold our first boats, shipping via O.K. Service from Yarmouth to Boston at a favourable freight rate. In 1955 we obtained the services of an excellent designer, produced our model boats and entered them in the boat shows at New York, Chicago, New Haven and Boston (which we felt would be our principal U.S. marketing areas), as well as in the Toronto show.

American boat dealers desired a price delivered at a U.S. point freight and duty paid. O.K. Service gave us a rate of \$35 per 18-1/2 ft. cruiser from Yarmouth to Boston. Our boats were well received at the shows; orders were good and a number of shipments completed when in late January 1956 we were advised that the subsidy of the O.K. Service was to be discontinued due to the fact that it competed with the Bluenose Ferry on which service was about to start at Bar Harbour. The O.K. Service terminated February 1st. The rate quoted by the Bluenose for taking a truck and one boat to Bar Harbour was \$157 which included bringing back truck and fare of driver, and we had no special rig to take more than one boat per load. We then had the cost of sending the truck and boat from Bar Harbour to Boston and returning empty, 530 miles. Result: A cost of more than \$250 to deliver a boat from Yarmouth to Boston as against \$35 by O.K. Service.



We kept faith with the American dealers to whom we were committed and were able to reduce shipping costs to \$120 by hauling boats to Halifax and shipping by such freighters as were willing to take them on a weight basis. A year later we were able to import a rig that would carry three boats and secured a rate on the Bluenose that brought our freight cost to Boston to a little more than \$100 per boat when shipped during off season, October to June. Our heavy shipping season for boats is March, April and May. During part of this period the Bluenose is out of service for annual refit; also, during these months, the roads are closed for a time in southern New Brunswick. Trucks hauling fish etc., from Nova Scotia to American points are then diverted to the Bluenose causing her facilities to be overtaxed and often it has not been possible to obtain passage for our truck and trailer.

In January 1956 we expected our American boat sales to reach at least 300; in 1957 due to the unfavourable shipping conditions we shipped 65 and in 1959 we have sold three boats to the U.S. Without an improved freight rate to American points we see no alternative but to discontinue our efforts there, which means that we must look to the Canadian market for a much greater volume of boat sales which current freight rates limit to Ontario, Quebec and the Maritimes.

We could be greatly helped by the lowest possible special rate on automobile freight



cars which normally are returning empty to Ontario and Quebec points.

I think here I am speaking of the entire manufacturing industry in this province, who will be submitting their own brief, but if we could get them to Ontario we might still get in through that basis to the markets in the United States, but when I wrote this I didn't know that the Commission was confined pretty much to rail, but this also does come into the rail matter.

Summary:

(I) Weymouth Industries Limited urgently needs rates for delivery of furniture in any quantity to points in the Atlantic provinces at least as low as those enjoyed by competitors in central Canada.

(II) The boat business would be greatly helped by receiving the lowest possible rate that the railways could give on automobile cars returning to Ontario and Quebec; many now go back empty.

(III) It would be most helpful if ocean freight rates for shipping boats were calculated on weight or cubic content, whichever is less - rather than whichever is higher. This would benefit the industry in shipping to U.S. Atlantic points.



(IV) Pleasure boats entering U.S.A. from Europe enjoy very low ocean freight rates and, after entry, very low rail rates to dealers in all parts of the country. Could this be developed on Canadian boats to improve Canada's balance of trade and benefit Maritime boatbuilders?

If you are not familiar with that class and some people are not, the actual statute of the freight rates which moves boats into the United States at Norfolk to the west coast of the United States, they get a very favourable rate that does not apply to Canadian pleasure boats.

THE ACTING CHAIRMAN: For the record, the Bluenose goes from Yarmouth to Boston?

MR. GUPTILL: To Bar Harbour.

THE ACTING CHAIRMAN: And how far is that from Boston?

MR. GUPTILL: Two hundred and sixty-five miles, sir.

THE ACTING CHAIRMAN: And the Fort Amherst went from Boston --

MR. GUPTILL: From Yarmouth to Boston and back.

THE ACTING CHAIRMAN: Have you taken the matter up with the railways? Have you discussed it with them to see if there is any solution?

MR. GUPTILL: Yes. We have worn ourselves out, I think. Perhaps not me personally. At the time of the announcement of the O.K. Service



being withdrawn I went through every possible channel to Mr. Marler, until I got that high, and I could not get any higher.

THE ACTING CHAIRMAN: Which railway?

MR. GUPTILL: We are on the D.A.R., but this matter of the Bluenose I believe is operated by Canadian National or supervised by them.

THE ACTING CHAIRMAN: Well, I think we see your difficulty.

MR. GUPTILL: Yes, we have it.

MR. COOPER: Mr. Guptill, on page 2 of the brief you have a figure for a two-piece chesterfield suite, weight 300 pounds from Montreal, \$7.26. That is a pool car rate, is it?

MR. GUPTILL: That is right. Those pool car rates were provided to us by Muirhead's or one of the forwarding companies.

MR. COOPER: And how do you get the pleasure boats to Yarmouth for shipment?

MR. GUPTILL: We haul them down on our own truck and trailer.

MR. COOPER: Do you send any of your products to market by truck transport at all within the Atlantic region? For instance, to Sydney or any other place where you sell in the Atlantic region?

MR. GUPTILL: No. To Halifax and some of the valley area we ship some furniture by truck and when the Bluenose was not available to us we transportated boats clear around from Yarmouth to Amherst and around to Boston and through those



areas which is a pretty long haul.

MR. COOPER: You use for hire carriers for that purpose?

MR. GUPTILL: No, in the United States when we were deprived of the O.K. Service and had to ship by the Bluenose we had to get a rig that would take more than one boat. Such a rig was not available in Canada and we finally got one in the United States. We found we could not always get over with the Bluenose. Usually with our own carrier we went over by the Bluenose or we would have to go around.

MR. COOPER: Have you explored the possibility of moving your furniture say to Sydney by truck transport, for hire carriers?

MR. GUPTILL: Yes. We found that if we were considering a for hire basis it would pay us if we had a load back but that seems to be the problem we are presented with as well as the railways. If we have a load both ways it might well save us money.

MR. COOPER: Well, the for hire truckers would take the furniture to Sydney by contract with you.

MR. GUPTILL: I was thinking of for hire rigs. The truck transport people tend to base their rates on the rate charged by the railway.

MR. COOPER: Well, have you actually ascertained if you could get a cheaper rate from the trucking people than you could get from the railways?



MR. GUPTILL: I think so, Mr. Cooper. I had Mr. Taylor our general manager with me all morning but he had a 2 o'clock appointment. I actually do not operate this business. I am President of the company but Mr. Taylor knows all the detail. I am very sure our exploration of the problem has been most exhaustive.

MR. COOPER: Your furniture is moved by class rates?

MR. GUPTILL: Yes.

MR. COOPER: What is your principal market in Nova Scotia for your furniture?

MR. GUPTILL: Halifax is our largest market.

MR. COOPER: You sell most of the furniutre in Halifax?

MR. GUPTILL: No, we sell more furniture in Halifax than in any other point in Nova Scotia.

MR. COOPER: But you sell more in all other points in Nova Scotia than you do in Halifax?

MR. GUPTILL: Yes.

MR. COOPER: The next largest market, I presume is the Sydney area?

MR. GUPTILL: No, I believe that we would say the valley and south shore which are relatively adjacent to Weymouth.

MR. COOPER: You move to the south shore point --

MR. GUPTILL: I would say we sell more in the valley and south shore than in Cape Breton.

MR. COOPER: If you were delivering to Lunenburg on the south shore, how would your



furniture move from the plant?

MR. GUPTILL: Either by rail or truck.

MR. COOPER: When you say truck do you mean your own truck?

MR. GUPTILL: No, I mean we have no cargo back but we do ship some furniture to Halifax and to the south shore by truck. The relevant proportions, I believe, are -- not more than 15 per cent by truck and 85 per cent by rail.

MR. COOPER: Thank you.

THE ACTING CHAIRMAN: Mr. Boyd?

MR. BOYD: Mr. Guptill, on page 2 you set out the l.c.l. rates from Weymouth and then you have two other columns showing the pool car rates from Montreal and Toronto respectively?

MR. GUPTILL: Yes.

MR. BOYD: Those pool car rates are charges made by the forwarding companies such as Muirhead's?

MR. GUPTILL: That is right.

MR. BOYD: You are not suggesting those charges made by the railway the shipper?

MR. GUPTILL: No. Those are charges that a shipper can ship by using a Muirhead -- I do not know if anyone is cheaper than Muirhead or not.

THE ACTING CHAIRMAN: That is the cost?

MR. GUPTILL: That is the cost to the manufacturer for shipping his goods.

MR. BOYD: I presume if you or someone else was operating in the area there pool rates would



be of interest to you?

MR. GUPTILL: We have talked to them about it but they are not a bit interested.

MR. BOYD: That is a choice of a pool car operator to operate or not, not a railway?

MR. GUPTILL: Yes, that is true. I think the part that I find very confusing and very difficult is that for companies manufacturing furniture who do not need fine rates to be able to get them whereas we who do are not able to get them. The condition as I see it, the Ontario and Quebec manufacturer would be in an extremely difficult position if there was no duty on bringing furniture in from the States and if the Americans subsidized transportation to the market that they are selling their goods in. I think they would feel they needed some help. My own reasoning on this may not be good -- I am a little confused on pool cars personally but I know the railroad makes them available to forwarding companies and that the railroad has something to say on the rates that are charged for classes of goods shipped in these cars which are the railroad cars.

MR. BOYD: Over the rates charged by the forwarding company?

MR. GUPTILL: I think so.

MR. BOYD: I do not think that is right, Mr. Guptill.

MR. GUPTILL: Where is the young man that was going to help me out on this?



MR. ARMITAGE: I am here.

MR. BOYD: Well, if you want to have a discussion.

MR. ARMITAGE: I think the point you were coming to concerned what the rate is charged by the pool car operators. The railway charges the pool car operators the prevailing carload rate and in your case you pay the lessened carload rate and there is quite a decided difference between the carload and lessened carload rate, the carload rate being a great deal lower on shipments of furniture.

THE ACTING CHAIRMAN: I think the fact is that we have another carrier in this too, the forwarding company or the pool car operator who is not associated with the railway at all.

MR. BOYD: Carload shipper as far as the railway is concerned.

THE ACTING CHAIRMAN: He is independent?

MR. GUPTILL: Yes, it makes it much harder for us to get to the railroad or to any source of help.

MR. BOYD: Thank you.

MR. WRIGHT: Mr. Guptill, your complaint really is not so much that the local rail rate is too high but that the rate which the pool car operator is charging is too low, is it not?

MR. GUPTILL: I would say a bit of each. Our complaint is we have been taught to believe that the railways are a servant in a sense and they should help place us in a competitive position and yet we find through a combination of circumstances



the pool car may appear to be the villain, that we are in competition next door but others are competitive in our market from much greater distances.

MR. WRIGHT: And if you were made competitive by the pool car operator bringing his rate up you would be satisfied?

MR. GUPTILL: If we can land goods in the market we hope to reach at a competitive rate we are satisfied. We feel we could compete efficiencywise.

MR. WRIGHT: That is all you are looking for?

MR. GUPTILL: We want to be placed in a competitive position.

MR. WRIGHT: And you want the railways to help you out?

MR. GUPTILL: We want everybody to help us out.

THE ACTING CHAIRMAN: You feel that all parties are conspiring against you?

MR. GUPTILL: It seems to me, whether it is an inequity or an iniquity --

THE ACTING CHAIRMAN: There is something in that.

MR. WRIGHT: Now Mr. Guptill, if the pool car operator were to raise his rates and as a result that traffic were to go to highway truckers, the rate the pool car operator previously was charging you would be left in much the same position?

MR. GUPTILL: That is true.

THE ACTING CHAIRMAN: Is there anything



else, Mr. Guptill?

MR. GUPTILL: No, I do not think so, I think the picture is clear.

THE ACTING CHAIRMAN: Well, we understand your trouble and sympathize with you. This is one of the problems we have to hear about.

MR. GUPTILL: If I have one final word I would like to see industry develop in these Maritime provinces. In my normal capacity in private life as an investment dealer I can help to steer money in that direction but one has to be sure, if one helps to create industry, one must feel that it has a chance to succeed.

THE ACTING CHAIRMAN: Thank you very much.

We will now have a representative of the canning industry, Mr. Shaffner.

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SUBMISSION OF
ANNAPOLIS VALLEY CANNERS LTD.
CANADA FOODS LIMITED
M. W. GRAVES & CO. LIMITED
SCOTIAN GOLD CO-OPERATIVE LTD.

Appearance:

Mr. J.E. Shaffner - Annapolis Valley Cannery Ltd.

EXHIBIT NO. 29: Brief of Annapolis Valley
Cannery Ltd., Canada Foods
Limited, M.W. Graves & Co.
Limited and Scotian Gold
Co-operative Limited.

MR. COOPER: This submission will be Exhibit
No. 29.

MR. SHAFFNER: The four undersigned
companies are engaged in the processing of fruits
and vegetables in the Annapolis Valley of Nova
Scotia. These companies are all wholly owned by
residents of the Atlantic area and are, we believe,
a very vital factor in the economy of that area.

While a very substantial percentage
of the production of these factories finds a
market in the Atlantic provinces, it is vitally
important that a more substantial percentage of
production moves to the larger markets of Canada
outside the Atlantic provinces.

The four companies concerned operate
seven factories involving an investment in assets
in excess of three and one-half million dollars.
The major industry of the Annapolis Valley of
Nova Scotia is agriculture, and for that reason
successful operation of processing plants to handle



the product of the farm is vitally important to the general economy of the area.

While great progress has been made by the processors of the Annapolis Valley in supplying the requirements of the consumers of the Atlantic area during the past few years, the major factor that has prevented the development of markets for their products in other parts of Canada has been high cost of transportation of products of relatively low value in relation to weight.

While climatic conditions in the Atlantic area do not permit the growing of all fruits and vegetables for processing purposes, there are many products that can be grown in the area of excellent quality and suitable for processing in the area and distribution far beyond the Atlantic provinces if transportation costs would permit.

Bearing in mind that the outlet for fresh fruits and vegetables grown in the area is pretty much confined to the Atlantic market, it means that if we are to have an expanding agriculture economy in the area, the market for the increased production must be found through processing channels and the processors in turn must have a market much larger than that of the Atlantic area if they are to handle for the farmers an ever-increasing agriculture production.

In addition to the advantageous effect that an ever-expanding processing industry can have on the agriculture industry of the area,



sight must not be lost of the fact that these plants provide employment for 900 employees involving annual payrolls of \$1 million.

I might point out, in passing, that those 900 employees are seasonal employees; they are not year round employees.

Enclosed you will find Statement "A" which is a comparison of rates on canned juice and other processed apple products from Annapolis Valley points and Thornbury, Ontario, to Quebec and Montreal.

I might point out that Thornbury is used because it is the location of one major competitor in those particular products.

You will note from this statement that on September 2nd, 1947, we enjoyed a rate of 45 cents per hundred to Montreal, while the rate from Thornbury to Montreal was 37-1/2 cents.

As of August 24th, 1953, the rate from Valley points to Montreal was 80 cents per hundred while the rate from Thornbury to Montreal was 61 cents per hundred.

As of March 1st, 1955, the rate from Valley points remained at 80 cents while the rate from Thornbury to Montreal dropped to 42-1/2 cents. The rate from Thornbury to Montreal has remained at 42-1/2 cents up to the present time, while our rate reached a high on December 1st, 1958, of 89 cents.

As a result of negotiations with the



railroad -- in this case the C.P.R. -- we were successful in getting a rate of 69 cents, paying 26-1/2 cents more than processors in Thornbury were paying to Montreal.

It is our understanding that were it not for the Maritime Freight Rates Act our rate today would be 87 cents per hundred which would represent a differential of 44-1/2 cents with Thornbury.

As processors vitally interested in developing and expanding the fruit and vegetable processing industry in the Atlantic area, we sincerely believe that the freight rate structure over the past 12 years has worked very seriously to our disadvantage.

In central Canada, with heavy concentrations of population and manufacturing, those processors of comparable products in such provinces as Quebec and Ontario enjoy a choice of transportation between trucks and railways, with a consequent competitive factor, which is unheard of here.

That reference is more particularly to longer-distance traffic.

It hardly needs to be mentioned that we use the railroads almost 100 per cent in all movements of processed products out of the Atlantic provinces to other parts of Canada.

We sincerely believe that were we to be given that position on freight rate costs that we enjoyed in 1947 in relation to our competition from Ontario points, we could materially increase the movement of processed food products from the



Atlantic area to other parts of Canada.

While we have fought strenuously for consideration on freight rates over the years, we have certainly not been able to convince the railroads to the extent at least of having them restore us to our position of 1947.

THE ACTING CHAIRMAN: Now, Mr. Shaffner, in the third page you refer to being successful in getting a rate of 69 cents. Was that an agreed charge?

MR. SHAFFNER: That is an agreed charge.

THE ACTING CHAIRMAN: And when did you get that?

MR. SHAFFNER: That came into effect on August 1st, 1959.

THE ACTING CHAIRMAN: Of this year?

MR. SHAFFNER: Of this year, yes. I am sorry, it should be August 31.

THE ACTING CHAIRMAN: What is the number of that agreed charge? Have you the number?

MR. SHAFFNER: No, I don't have the number.

MR. BOYD: It is agreed charge 745.

THE ACTING CHAIRMAN: So that is a little over a month. We had agreed charge No. 721 this morning. There was just about an agreed charge a day.

MR. SHAFFNER: I might point out that, while we are very thankful to have an agreed charge of 69 cents, at the time we applied for it I believe we applied for somewhere in the region of 45 cents.



COMMISSIONER ANSCOMB: How many cars a year do you ship out of the Valley -- how many cars?

MR. SHAFFNER: The tonnage -- I find it rather difficult in this case. For instance, out of the area of the Atlantic provinces our one company had 2,000 tons moving out.

COMMISSIONER ANSCOMB: That would be 4,000-pound cars?

MR. SHAFFNER: That would be mostly 60,000-pound cars.

COMMISSIONER GOBEIL: You mention that the rate you get to Montreal is 69 cents. What about shippers to here -- from Montreal to here?

MR. SHAFFNER: I am not quite certain of those rates, but I believe there are rates applying that are in the vicinity of \$1.10 to \$1.20, and then there are the agreed charges. There are certain agreed charges in effect, but I am not exactly certain of the amount; but I believe that around 85 or 86 cents that some of them come into certain points of the Atlantic provinces.

COMMISSIONER GOBEIL: What percentage of your production do you ship outside of the Maritimes?

MR. SHAFFNER: In Canada?

COMMISSIONER GOBEIL: Outside of the Maritimes -- yes, in Canada.

MR. SHAFFNER: In Canada? Well, I would say -- I have to be careful now, because this brief is for four companies and I can only speak



for one. I think that ours would run in the vicinity -- well, I can tell you pretty well exactly here -- about four to one; which is around 20 per cent of our products would be going outside of the Atlantic provinces.

COMMISSIONER GOBEIL: And are there products which are sent -- consumed here in the Maritimes -- which are coming from central Canada, Ontario --

MR. SHAFFNER: Yes.

COMMISSIONER GOBEIL: And I think they pay some 30 cents more than you do?

MR. SHAFFNER: To certain points they do, yes. I might point out there that one of the great objections we have in this connection is that in most instances these products which are coming in are the products of very large companies with very substantial advertising and with well known brands, which is quite a factor; but even at that they do come in. They come in, and they do have a somewhat higher rate coming in than we have on the sales we make in this area; but our problem is that, our market being relatively small, generally speaking, fruit processors in these fruits and vegetables particularly have a fairly high percentage of the per capita consumption, and to get it expanded it is going to be very difficult.

THE ACTING CHAIRMAN: You don't ship west beyond Ontario?

MR. SHAFFNER: In some cases; in some cases we go as far as British Columbia; a fair volume in



Manitoba, particularly Winnipeg.

COMMISSIONER ANSCOMB: Would you tell me what you shipped to British Columbia?

MR. SHAFFNER: Strangely enough, canned apple juice and canned apples.

COMMISSIONER ANSCOMB: Is this an inequity, or an inequality? You tell me, because I am in the manufacturing business and I am very interested. How do you expect to ship -- and I say this very nicely because I am trying to find out -- how do you expect to ship apple juice 4,000 miles in competition with our Okanagan Valley which grows the best apples in the world? They are not spies, these fellows; they are really open and above board.

MR. SHAFFNER: We won't get into a discussion on that now, but I think it is because we have a different type of apple juice; that is one reason; and I think there is a certain demand for that different type of apple juice. When it comes to canned apples, the particular variety of apples that we are growing here -- they do have certain properties which the British Columbia apples don't quite provide.

THE ACTING CHAIRMAN: Then, you could do a concentrate?

MR. SHAFFNER: Yes, we also produce a concentrate.

COMMISSIONER ANSCOMB: I have got some loganberries out there that you rascals can't grow!

COMMISSIONER MANN: I have just one question. Mr. Gobeil asked you, or you told him in answer to



his question, that there are central Canadian companies shipping products in here, at substantially higher rates, of course. Now, could you tell me whether your company, for instance, and those associated with you in this brief, can achieve optimum size of plant by catering to the Atlantic region market only?

MR. SHAFFNER: It is very difficult for us to. Volume is a very, very important thing. It is a matter of working with your farmer's field crop, which involves a great deal of field work. You must have a staff of field men to work with the farmers to get the quality of product you require. In many instances the same field staff you will require for 100,000 cases of a given product could do the job of 300,000 cases; and the same thing carries right through the line of products.

If you have the volume you can lower your unit costs of operation and enter the competitive market. Although, I do feel that, by and large, we are making progress along that particular line. But I do feel that, from the agricultural angle, particularly, of the area, it is of vital importance for you to handle the product of the farm for the farmer.

THE ACTING CHAIRMAN: Mr. Platt?

COMMISSIONER PLATT: Do you do any amount of freezing?

MR. SHAFFNER: There is not too much freezing of fruit and vegetables in the Annapolis Valley. It has only been in the last two years --



less than two years -- that a sizable freezing plant for processed products has been built. It is now starting on blueberries and will, no doubt, expand into other items as time goes along.

COMMISSIONER PLATT: That is, you do grow items that can be frozen?

MR. SHAFFNER: We grow a number of items that can be frozen, yes.

COMMISSIONER PLATT: In your attempts to penetrate the central Canadian market is your chief opposition from local processors or do you also have opposition from imports from the United States?

MR. SHAFFNER: Well, I think in the particular products that we are dealing in our major competition has been from the processors within Canada -- Ontario and Quebec; our particular items have not found that extreme competition from American suppliers that some other items have.

COMMISSIONER PLATT: I take it you don't grow tomatoes?

MR. SHAFFNER: No, no tomatoes and corn; we have not found any strain which would grow in the area as yet.

THE ACTING CHAIRMAN: Yes, Mr. Cooper?

MR. COOPER: Did you tell the Commission with which of these four companies you were associated?

MR. SHAFFNER: I am associated with Canada Foods Limited and with M. W. Graves and Company Limited.

MR. COOPER: What position do you hold with those companies?



MR. SHAFFNER: I am the President of these two companies.

MR. COOPER: Do you road transport at all for shipping?

MR. SHAFFNER: Yes, we use road transport within the Atlantic provinces just about 50-50 with the railroad within the Atlantic provinces.

MR. COOPER: Do you use road transport for shipping out of the province?

MR. SHAFFNER: Very limited; I would say at the moment it doesn't amount to more than 3 per cent.

MR. COOPER: Where would that be, Mr. Shaffner? The railroads offer a cheaper rate, or what is the reason?

MR. SHAFFNER: Well, quite frankly, what we find when we start talking with the truckers is that they cannot carry the loads; they can't get the rate down; and they don't become competitive with the railroads; they claim because of our bridges and highways they can't carry the pay loads.

MR. COOPER: Thank you.

THE ACTING CHAIRMAN: Mr. Boyd?

MR. BOYD: With regard to the tables which you have attached, in Statement "A", I wonder if you could tell the Royal Commission what the comparative mileages are between Thornbury and Montreal on the one hand and Kentville and Berwick on the other?

MR. SHAFFNER: I understand the mileage is quite a bit further from, we will say, Kentville



to Montreal than from Thornbury. I don't know the actual distance; I would rather not go into it. But I know it is more.

We only go back to the rates for 1947, when, for one reason or another, the railroad felt they could carry for 45 cents between Kentville and Montreal and 37-1/2 cents from Thornbury to Montreal; there was only a 7-1/2 cents differential at that time.

MR. BOYD: At the moment I wasn't talking about the rates; I was talking about the distances. Do you have, in round figures, what the distance is between Thornbury and Montreal?

MR. SHAFFNER: I have, but I don't have it now.

MR. BOYD: Do you think there would be a substantial difference in the mileage from Kentville to Montreal and Thornbury to Montreal?

MR. SHAFFNER: I am not sure whether it is 100, or 150, or 200; it is somewhere in that general area, as I recall it.

MR. BOYD: On page 4 of your brief you refer to the Ontario rate. That would be the Thornbury to Toronto rate?

MR. SHAFFNER: Thornbury to Montreal.

MR. BOYD: Based on the truck competitive factor?

MR. SHAFFNER: No; the competitive factor. They are competitive to us, supplying the same type of item to the Montreal market.



MR. BOYD: I was referring to the second paragraph on page 4:

"In central Canada, with heavy concentrations of population and manufacturing, those processors of comparable products in such provinces as Quebec and Ontario enjoy a choice of transportation between trucks and railways..."

MR. SHAFFNER: Yes. It is my opinion that the rate -- the agreed charges -- that prevail as per this schedule between Thornbury and Montreal were arrived at probably substantially due to the fact that truck transportation competition was there and the railroads came down to meet this lower rate.

MR. BOYD: With reference to the second last paragraph on page 4, you would like to be restored to that freight rate?

MR. SHAFFNER: We would like to be restored to that same differential.

MR. BOYD: You have other costs in your business. Do any of these costs remain at the 1947 level?

MR. SHAFFNER: No; but the differential should stay. I don't mean the exact rate. I don't mean to say that we should have the 45-cent rate; but we would like to see it not more than 7-1/2 cents to 10 cents of a differential.

THE ACTING CHAIRMAN: You are, in short,



suggesting that this is one of the evils of horizontal increases?

MR. SHAFFNER: That is correct.

THE ACTING CHAIRMAN: Mr. Wright?

MR. WRIGHT: I have no questions.

THE ACTING CHAIRMAN: Thank you very much, Mr. Shaffner.

I think the next brief will be from that very important place, Cape Breton Island -- that of the Cape Breton Island Industrial Development Council.

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SUBMISSION OF
THE CAPE BRETON ISLAND
INDUSTRIAL DEVELOPMENT COUNCIL

Appearance:

Mr. A. Bruce McDonald - Chairman, The Cape Breton
Island Industrial Develop-
ment Council.

EXHIBIT NO: 30: Brief of The Cape
Breton Island In-
dustrial Develop-
ment Council.

MR. COOPER: The submission of the Cape
Breton Island Industrial Development Council will be
Exhibit 30.

MR. McDONALD: I see our fame has pre-
ceded me, so possibly I don't have to explain any
further. However, before I begin this brief I would
like to reserve the right, if I may, to submit a
supplementary brief involving, perhaps, a more
statistical background of our case, at the national
hearings in Ottawa.

THE ACTING CHAIRMAN: That is quite all
right.

MR. McDONALD: Thank you very much. Un-
fortunately, our brief was prepared at rather short
notice and, for that reason, we don't have the
statistical matter involved.

THE ACTING CHAIRMAN: And your full name,
Mr. McDonald?

MR. McDONALD: A. Bruce McDonald. I
am Chairman of the Cape Breton Island Industrial
Development Council, a group formed early this year



with the intent of promoting industrial development of all kinds in Cape Breton Island.

Mr. Chairman and Members of the Royal Commission on Transportation, the Cape Breton Island Industrial Development Council begs leave to submit the following brief.

When this great nation of Canada was formed in 1867, one of the terms of the Act which brought that union of Canadian provinces into being, the British North America Act, was that a railroad would be constructed, linking Nova Scotia with the central Canadian provinces. This clause was inserted, I am sure, in the belief that as equal partners they should move forward together and that by linking their transportation systems free interchange of trade between them would be ensured. It could be said that the Federation of Canadian provinces in 1867 was an unnatural one in some ways, since the so-called Atlantic provinces geographically would be expected to associate with and trade with the United States Atlantic seaboard states and overseas areas, using the cheap water transportation. However, remaining loyal to the Crown, they associated with the central provinces and so provided year-round outlets for overseas trade for these inland areas. However, in constructing this railway link between the Atlantic provinces and the central Canadian area, it was decided that in order to open up certain sections of New Brunswick which were then without this type of



transportation a devious rather than a direct route would be followed in its construction. It was also felt that in the interests of national defence it should be constructed in the position which it now occupies.

THE ACTING CHAIRMAN: We hope to keep away from the bold, bad Yankees!

MR. McDONALD: Subsequently, the Maritime Freight Rate Assistance Act was passed in 1927 allowing a reduction of 30 per cent on freight shipments moving from the Atlantic provinces to the central Canadian market, but in the final analysis this so-called concession hardly did more than pay the extra costs of the way in which the railroad was routed, as far as Nova Scotia producers are concerned. The high transportation costs, especially on finished products moving from Nova Scotia to this central Canadian market, has retarded the industrial development of our area to a very large degree. Not only has it kept our industries in the basic rather than the secondary field, but it has also effectively kept out industries which would use the products of these basic industries in the Atlantic region to produce finished products.

Just as tariffs on U.S. imports, such as automobiles, have established the Canadian automobile industry by artificially raising the price of U.S.-manufactured vehicles, so has the freight-rate structure on finished products in



the Atlantic provinces acted just as effectively in concentrating industry in the central provinces and making operations of producers of these products in these provinces very difficult and, in many cases, impossible.

We are not quarrelling with policies which are carried out in the interests of development of the national economy, but we do want changed immediately that policy which is detrimental to the development of this part of the country and encourages development still further of the most highly developed area at the expense of our Atlantic provinces. How effectively tariffs on U.S. goods and high freight rates in the Atlantic provinces have worked to develop central Canada is evidenced by the fact that approximately seven-eighths of all manufacturing in Canada is concentrated in Ontario and Quebec. No doubt, success breeds success but, Mr. Chairman and gentlemen, success is so much easier when safeguards have been set up to take much of the risk out of it. In many countries today, very strong efforts are being made at the national level to decentralize industry in order that all parts of the country will develop industrially in a homogeneous way.

A further evidence of national policy carried out to benefit the central market is the St. Lawrence Seaway. The figures so far, we are told, indicate that the primary benefit of this project will accrue to St. Lawrence ports,



not because of the sea-going traffic which will use the waterway, but because of the vastly increased domestic shipping between St. Lawrence ports. This will tend to reduce transportation costs in this market still further. We have no quarrel with this if it is in the interests of national development, but it should be remembered that it was a national project done at a large cost from public funds primarily to benefit central and western Canada.

It must be pointed out, though, that as a result of this project freight rates on movement of goods in central Canada will no doubt become more competitive and result in further reduction of agreed railway charges in order not to lose the business. This sort of rate adjustment to meet competition is going on all the time in the railway business. I have personal knowledge of this being done this year. When the railway was in danger of losing a big customer to water transportation, it immediately cut its rates to retain the business.

But, Mr. Chairman and gentlemen, the vast majority of industries are not in a position to use that type of bargaining to obtain freight rates which will allow them to operate in the Atlantic provinces. Consequently, they stay out and our area has been ignored by industry except for those producing for the local market or producing high-priced, low-bulk items or basic,



unfinished products of our national resources. The freight-rate structure has effectively preserved the finished product manufacturing field for the central Canadian provinces.

The application of national policies supported by financial outlays to promote development of certain areas has not been unusual in the past nor will it be in the future. In the natural gas industry, this valuable national resource was only made available to Ontario and Quebec by federal government financial support and, indeed, the Northern Ontario section was constructed by the federal government as a publicly-owned link which allows a privately-owned company to operate for profit.

We have reason to question the advisability of this since it is presently crippling our very important coal industry but it was deemed to be necessary for national development, so it was done.

In line with Prime Minister Diefenbaker's vision of developing great northern natural resources, a large outlay is being made to push roads and railroads deep into the north in the hope that development will be speeded if these transportation facilities are available. Once again, national policy to develop our country.

Specifically, in the rail transportation field the wheat industry has been developed and maintained only as the result of government



policy. I realize this is a matter which has been placed outside your Terms of Reference, but it is very relevant to our position. No doubt, a prosperous wheat industry is a vital thing for the nation and I realize its importance, but I say that its prosperity is due mainly to a completely artificial and unrealistic policy cost-wise with regard to transportation.

THE ACTING CHAIRMAN: If you are referring to the Crows Nest rates, very definitely that is a question which Mr. Reid and Mr. Boyd are raising before us and which is within the Terms of Reference of our Commission.

MR. McDONALD: There is also another subsidy which is paid to the railroad as a lump sum payment regardless of traffic in connection with the northern Ontario section of our national railway system. This is the so-called "bridge subsidy" and it was shown in recent years that the per-car subsidy paid on this particular stretch of railroad was very considerably higher than comparable per car payments in connection with freight shipments to the Maritimes.

It is said that the federal government underwrites the deficits of the Railway so that if there are inequalities they all even out in the end when Ottawa pays the final deficit. This is not true, Mr. Chairman. True, Ottawa pays the deficit but only after the Crow's Nest Pass rate shipments have made a big impact on its expenses but very little proportionate impact on revenue; and when truck and water competitive



transportation have cut rates and revenues to the bone in central Canada, but the Atlantic provinces haven't the benefit of these things, so they contribute to the revenue on a business basis with little or no competitive levelling. As a matter of fact, their competitors in the Atlantic provinces, the trucking association, instead of providing competition, recently through the presentation of briefs moved to maintain freight rates at a high level and claimed the railroads would be unfair if they introduced competitive rates.

So, Mr. Chairman and gentlemen, the government does pay the railway deficit but only the net left after it has given preferred treatment to these other areas, which was not available to these Atlantic provinces. A great deal has been said to infer that the Maritime Freight Rate Assistance Act has been a great concession to our area. This is a myth, Mr. Chairman, and I believe you will find that the financial benefit has accrued to the railroad rather than to the producers here. Like subventions on coal which can be measured by calculation on tons shipped, the cost of payments under this Act are a matter of public record, but they are infinitesimal compared to the incalculable subventions given by grain rates set many years ago and never changed. As well, any reduction that was obtained due to the Maritime Act initially has been removed long since by the arbitrary method of applying percentage increases on freight rates. Dollarwise, this



method has made it more and more impossible for the Maritime manufacturer to compete in other parts of the nation, in contrast to natural gas, wheat and seaway policies mentioned earlier. As each percentage increase has been added, the cost of placing an article for sale in the central market has increased disproportionately when compared to products produced there. If shipping costs of the same article to Montreal were \$1 from Toronto and \$3 from Sydney, a 19 per cent increase would make a 19-cent difference to Toronto but 57 cents to Sydney; and a further 17 per cent would make 27 cents additional difference to Toronto, but 61 cents difference to Sydney, and it has got progressively worse as it has gone along. This is what has happened over the past number of years and it has nullified any adjustment of rates given at the beginning.

Mr. Chairman and gentlemen, our request is that the Atlantic provinces be given a chance to develop as we feel they can develop. Our people are aroused and ambitious, but they are being strangled by the national transportation policy, or the lack of one. We do not ask for assistance but for realistic policies in the form of greatly reduced transportation costs to encourage and accelerate our development. A contribution from the national level, which would have the effect of a complete revision of transportation charges substantially downward, could produce



Industrial development and a volume of shipments which would make this government policy a profitable investment rather than an expense.

We would also urge that adequate port facilities be set up in Cape Breton Island. Establishment of these facilities, including, if possible, a grain elevator, would ensure that fully integrated rail-water movements to and from Cape Breton would be economically feasible. It would then be possible to ship grain into this area to be stored for winter shipping and to carry steel, coal, gypsum and other products on the inward journey to central Canada.

We do not wish to heap abuse on past policies. We wish to suggest constructive policies to ensure that we have a prosperous future.

If Canada is really a nation, as our leaders would have us believe, then we must stop acting as if we were a collection of colonies in which the bigger you are the more you can command. If Canada is to move forward as a nation from sea to sea, let it move as a unit economically as well as politically.

Mr. Chairman, I might say that at the beginning that I would like to reserve the right to go into the statistical end, if there are any questions in connection with that, at the Ottawa hearing.

THE ACTING CHAIRMAN: On what branches would you be interested?

MR. McDONALD: Actually, we intend to work up our submission involving statistics in connection with the submission which we have made.



THE ACTING CHAIRMAN: Are there any secondary industries starting up in Cape Breton?

MR. McDONALD: Well, we do have in a small way, we have some aluminum plants; that is, they are only assembling rather than manufacturing plants. Other than that, the basic part of our economy is concentrated on the steel plant, the coal mines, products of fisheries and forests, and that type of thing.

THE ACTING CHAIRMAN: Well, if you wish to file, you can file, and you may address us if you wish in Ottawa.

MR. McDONALD: Thank you very much, Mr. Chairman.

THE ACTING CHAIRMAN: Mr. Gobeil?

COMMISSIONER GOBEIL: When did the subvention on coal go in, many years ago?

MR. McDONALD: The subvention mentioned on coal?

COMMISSIONER GOBEIL: On page 6, yes.

MR. McDONALD: Yes. Now, just how many years ago I am afraid I am not prepared to say right at this time; the statistics in connection with this I don't have at my fingertips, but that is one which we will include in our supplementary brief.

THE ACTING CHAIRMAN: Mr. Mann?

COMMISSIONER MANN: Mr. McDonald, you have stated in the submission made by the Cape Breton Industrial Development Council, you have referred us to the trans-Canada pipeline, the



bridge subsidy and the seaway and the Crow rates; you take these as national policies that were done for the nation as a whole.

Now, I am particularly going to make a remark about the Crow rates, and I notice in your brief that you thought that was outside our Terms of Reference. As was mentioned, this Commission has not so construed these Terms of Reference and I say this so you will appreciate the matter is being brought before us by two major railways and it is not possible at this time for this Commission to say one way or another whether those rates result in a burden on the remainder of the traffic. I thought I should make that clear.

My question arises out of this, though; is it your suggestion to this Commission that railway freight rates should be used as an instrument of national policy, just the same as perhaps other instruments of national policy, the seaway and so on, as you mentioned?

MR. McDONALD: Mr. Mann, I would say that the mere fact that approximately seven-eighths of the manufacturing potential of Canada is now concentrated in two provinces, and we are composed of ten provinces from sea to sea. I believe that in the interests of Canada developing as a balanced nation from coast to coast, this imbalance cannot continue. If it does continue it will merely be a progressive tearing off of the industrial development of either side from either side into the centre, especially from the Maritime area, if



the situation is such that the Maritime Industries cannot go into the finished product field in the way which they should be allowed.

COMMISSIONER MANN: One more question; by far the chief industry in Cape Breton is represented by the Dominion Steel and Coke Corporation, and aside from the coal operation of that corporation, they have a basic steel facility up in Sydney, do they not?

MR. McDONALD: Yes.

COMMISSIONER MANN: Do they use any secondary steel in Sydney?

MR. McDONALD: Only on a very limited scale, a very limited scale; as a matter of fact, one of the finished products which was produced there for many, many years was recently transferred out of the plant there into, I believe, the Montreal area, that was the manufacture of nails, and it was done I am told for that very reason, because of the high cost of shipping finished products.

As a matter of fact, this is perhaps stealing something from another brief which I know is going in, but DOSCO has been mentioned and there are facilities which they are contemplating establishing in the Montreal area now, and one of the main reasons they are not establishing them in conjunction with the basic industry is that the freight cost on finished products is so high that they cannot compete properly in that market.

THE ACTING CHAIRMAN: Mr. McDonald, I



think you would be interested in an exhibit which was filed with the present Commission, and which indicates a summary of the direct transportation assistance to the Maritimes which is now given out of the federal Treasury. Now, I don't presume to say -- and I am not saying -- that the federal Treasury has done enough, but I think it will be interesting to the Maritimes to see that after all the federal Treasury has not forgotten this part of the country. I think that would be very interesting to you in view of your brief and in view of what was suggested, that after all Ontario and Quebec -- and I am from neither -- have benefitted so largely to the extent that you mentioned. I think you might be glad to have a copy of that.

MR. McDONALD: I appreciate that very much, Mr. Chairman. There is just one other point which I would like to make, if you don't mind, before we close, and that is the fact that when our Industrial Development Council was formed that we were in contact with the Ontario department concerned with industrial development, and one of the points the chap made when he offered assistance was that he would be very pleased to assist us in any way because they felt that a well balanced development down here would be an advantage to them as well.

THE ACTING CHAIRMAN: I think pretty well all over Canada there is good will to all parts of Canada in all parts of Canada.

Mr. Cooper?

MR. COOPER: I just wanted to get some



information, Mr. McDonald, as to the number of members you have in the Cape Breton Island Industrial Development Council and what areas of manufacturing or other commercial endeavours they represent in Cape Breton?

MR. McDONALD: Well, Mr. Chairman, our group was actually started from a municipal level. It had its origin in the new industries committee of the city of Sydney council, and its membership is drawn from interested persons in all walks of life, we will say; it is drawn from the municipal field, and generally I would class it as possibly a grass roots organization growing up from the area itself. At the present time there are possibly 200-odd active members in the group and all on a voluntary basis, who have signified that they will assist in promoting this effort.

MR. COOPER: Are these members firms as such, companies as such, or individuals?

MR. McDONALD: Individuals.

MR. COOPER: You say it was established this year; I think we can --

MR. McDONALD: Actually, our organization meeting was held in the first part of February.

MR. COOPER: One more question; you started off with a small group, I take it; is your membership increasing?

MR. McDONALD: I think we are in the position now where our committees are actively obtaining information as to the various factors involved in developing the area. That is basically



what we have to offer, and we intend to bring this out in the form of a proper brochure, and the interest in the Council is being maintained and increased, but the interest in the initial stages is quality rather than quantity.

MR. COOPER: If your membership from the whole Cape Breton area or concentrated from Sydney or the Sydney area?

MR. McDONALD: No, from all Cape Breton Island.

COMMISSIONER GOBEIL: When I was asking the question about coal this morning it was because it was mentioned in a submission by the province of Nova Scotia that as a result of successive increases they brought the total to 157 per cent since the war. I see that in 1950 there was a subsidy of \$1 million and in 1958 and 1959 an \$8 million increase, but of course this does not mean it is an increase eight-fold per ton but if it does not give a 158 per cent increase per ton perhaps you have a good case there.

MR. McDONALD: Yes. I do not have the traffic figures available.

MR. BOYD: I have no questions, Mr. Chairman.

MR. WRIGHT: There is just one matter. The first complete paragraph at the top of page 5, Mr. McDonald, I would just like this to be clear for the record. You say:



"It is said that the federal government underwrites the deficits of the railway."

Now, I would just like it to be clear that you are not referring to the Canadian Pacific there.

MR. McDONALD: I think the Canadian Pacific would be very happy if that was the situation.

MR. WRIGHT: You are not in any event referring to the Canadian Pacific?

MR. McDONALD: No, we have the same trouble with the people talking about the "the Island". There are two of them. I was, of course, speaking specifically of the Canadian National.

MR. WRIGHT: Just one other matter. On page 4, the second last paragraph you make reference to the grain rates. You now understand, I believe, that this is a matter which this Commission is going to consider and I would take it from reading what you say in that paragraph that it is your view that the railways should receive a just and reasonable payment for the movement of grain which is now moving at statutory and related rates.

MR. McDONALD: Well, actually as I have stated several times in the brief, our quarrel is not with the fact that certain policies are adopted which undercut the economies of certain areas of the nation possibly unrealistically costwise but rather that if these policies are going to be applied to other areas then it should



be applied throughout the whole of Canada if there is need. In other words, I believe we should have a transportation policy which is national in its character rather than one which has to do with one area and penalizes it and in another area there is an entirely different policy adopted which in effect buoys up the economy there. We in the Council believe we are a nation, Canada is a nation, at least we feel we are and we feel we should try to develop that way.

MR. WRIGHT: Thank you.

COMMISSIONER BALCH: You mention the national transportation policy: What is your concept? Do you wish to include trucks, railroads, waterways and all in a national transportation policy? What do you mean by a national transportation policy?

MR. McDONALD: It is rather a broad subject but in the present situation we have seen that government at the national level has seen fit to adopt certain policies which I believe in the final analysis for the development of the country and for the maintenance of the economic stability of the country and for its maintenance of its position in the export trade have been good in the overall picture so far as the development of the country is concerned. For that reason I believe that this policy should be carried through to a conclusion in all areas. I do not believe that if it is good policy, good national policy to establish certain rates with regard to grain or if it is good



national policy to establish certain practices with regard to natural gas or the seaway transportation then we believe it is good policy to adopt certain policies which will ensure development of other areas.

THE ACTING CHAIRMAN: For instance the subventions on coal?

MR. McDONALD: That is one case. Whether or not there is an adequate situation there is something which is debatable.

THE ACTING CHAIRMAN: But in the national interest?

MR. McDONALD: Yes, in the national industry. The thing which as a resident of the Maritime provinces and as a Canadian what appears to me is the fact that so much of our industrial production is concentrated in one area, that it has produced a complete imbalance in our economic situation nationally. I do not believe it is a good thing to have that concentration in that way.

COMMISSIONER ANSCOMB: I would like to point out to you that situation is rapidly passing to where British Columbia in a very short time will be the leader in Canadian industry.

MR. McDONALD: It has been pointed out at various times that we in Nova Scotia are supposed to be at the end of the line. I believe that New York is at the end of the line and San Francisco is at the end of the line and so is British Columbia so there is no reason why we



cannot do something about it.

MR. DICKEY: Mr. McDonald, on page 5 of your brief about the middle of the page you state:

"As a matter of fact, their competitors in the Atlantic provinces, the trucking association instead of providing competition, recently through the presentation of briefs moved to maintain freight rates at a high level and claimed the railroads would be unfair if they introduced competitive rates."

Just what did you have in mind as a factual basis for that statement?

MR. McDONALD: I might say that I do not have a copy of the brief presented at the time. That statement is based on the news report in connection with it when the truck association presents a brief, I believe, to the big utilities hearings in connection with the rates on truck-rail transportation in the Maritime areas. The report went on to state that they felt it was an unauthorized extension of the Maritime Freight Rates Assistance Act.

MR. DICKEY: Are you referring in that statement to the opposition of the highway trucking industry generally to the expansion of railway services into highway transport? That is the handling of highway transportation by the railroads?

MR. McDONALD: That is right.



MR. DICKEY: Now, what information, if any, besides press reports did you have on that?

MR. McDONALD: I might say that I do not have a copy of the actual brief as such. I must confess at this stage it is based on that press report.

MR. DICKEY: And if the press report were in error or your reading of the press report was in error then this statement in your brief would naturally reflect that error, is that correct?

MR. McDONALD: If the improper interpretation of that was taken.

MR. DICKEY: Do you know if there was anything, any reference in these representations to freight rates or anything to do with rates?

MR. McDONALD: As I stated, I do not have the submission with me and the information as stated here is based on the fact that the submission was represented as claiming that there was an unauthorized extension of the Maritime Freight Rates Assistance Act into the trucking industry.

MR. DICKEY: It is not correct from your recollection of the news report that the association said that if railway owned trucks were used in this way that there would be an unfair advantage to those trucks as compared with the privately owned?

MR. McDONALD: Yes, that is roughly it. My interpretation of it, of course, might have been such that I would infer this and I would have to



examine the brief in detail in order to satisfy myself that I was not correct in taking this impression.

MR. DICKEY: I call your attention also to the previous two phrases in your brief on page 5 which say:

"... when truck and water competitive transportation have cut rates and revenues to the bone in central Canada; but the Atlantic provinces haven't the benefit of these things, so they contribute to the revenue on a business basis with little or no competitive levelling."

Have you any idea how much truck and water competition has affected rail rates in the Maritime provinces?

MR. McDONALD: How much has it affected rail rates?

MR. DICKEY: Yes.

MR. McDONALD: I do know that there has been -- as a matter of fact, also in the brief it is stated that water competition has had some effect on rail rates, but in the larger industries which can, we will say show "X" number of tons which the railways will lose but in the brief it mentions that all industries are not in that position, they must accept things as they are.

MR. DICKEY: What if any statistical



or other basis did you use for the statement that I have quoted, Mr. McDonald, that appears in your brief?

MR. McDONALD: Which statement? In connection with the competitive transportation?

MR. DICKEY: In connection that the Atlantic provinces have the benefit of these things, that is competitive element.

MR. McDONALD: Well, I can only say that this competition, of course, in any industry is a matter of degree and what might be competitive in one place may not reflect the same type of result, the same type of levelling as in another place.

MR. DICKEY: My question was what if any statistical or other material you had available to base that statement that appears in your brief?

MR. McDONALD: Well, Mr. Dickey, I have some material which was prepared privately in connection with this which was not included in the brief. This type of thing, as I reserved the right originally to submit at the other hearings, we have the material available but I do not have it with me. Unfortunately our whole submission was brought together since Monday morning.

MR. SMITH: Are you aware there were some submissions made on behalf of the Trucking Association to the railway committees who were discussing the enactment of the reduction of the 17 per cent increase, the 10 per cent increase, the temporary increase. Is it possible that



your reference to the Truck Association relates to that and not to the matter which you refer to?

MR. McDONALD: Well, actually no.

THE ACTING CHAIRMAN: Thank you, Mr. McDonald. Now, I understand there is only one witness ready to proceed this afternoon and that is the Trucking Association and they have witnesses to call on Monday.

MR. DICKEY: That is right. However, I believe there were the Fish Packers.

MR. SMITH: No, not until Monday.

MR. DICKEY: Mr. Chairman, the reading of this submission would only take about 20 minutes.

THE ACTING CHAIRMAN: I suggest we adjourn for five minutes. After adjournment I am going to ask Mr. Anscomb to take the Chair and you can carry on with the reading of this as I have a very important appointment in Cape Breton that I must keep tonight.

--- A short recess.

COMMISSIONER ANSCOMB: Mr. Dickey, would you kindly come forward, please?

MR. DICKEY: A witness was to be called and a brief was to be presented on behalf of Canadian Trucking Association Incorporated. The brief is here, but the witness, Mr. C.W. Moffatt, unfortunately, because of unavoidable circumstances, isn't able to get here today.

COMMISSIONER ANSCOMB: Yes.



MR. DICKEY: But we will be very pleased to have the brief read by Mr. John Magee of Canadian Trucking Association Incorporated, and Mr. Moffatt will be here on Monday morning for any questioning that may be required by the Commission or other council involved.

Mr. Magee is the executive-secretary of Canadian Trucking Associations Incorporated, and the brief will be presented together with the table that is referred to on page 1, paragraph 1, of the brief. It has been filed with the Commission and the necessary number of copies were handed to the Secretary at lunch time. There are other copies available if anybody requires them.

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SUBMISSION OF
CANADIAN TRUCKING ASSOCIATIONS, INC.

Appearance:

Mr. John Magee - Executive-Secretary,
Canadian Trucking
Associations, Inc.

EXHIBIT NO. 31: Brief of Canadian
Trucking Associations
Inc., together with
statement referred to.

MR. COOPER: The submission of Canadian
Trucking Associations Incorporated, including the
statement to which Mr. Dickey has just referred,
will be Exhibit 31.

MR. MAGEE: Mr. Chairman, Members of
the Commission, at the commencement of our main
submission to the Maritime regional hearings of
the Royal Commission on Transportation, it may be
helpful to the Commission for Mr. Moffatt, as
Secretary-Manager of the Maritime Motor Transport
Association, to appear as a witness for Canadian
Trucking Associations, Inc., to give a short state-
ment summarizing some of the important statistical
and economic data relating to the trucking in-
dustry in the Atlantic provinces. All of the
data used is taken from official publications
of the government of Canada.

1. Work Performed by Trucking Industry
in the Atlantic Provinces:

The table accompanying this brief shows
the comparison of net ton-miles produced by the



trucking industry in the Atlantic provinces - within the region - and by the railways within the "Maritime region". This comparison is subject to the following qualifications:

A. The "Maritime Region" of the railways does not include Newfoundland, but does include a part of Quebec: South Shore of St. Lawrence River, East of Levis;

B. Both figures have been developed from samples;

C. Railways' statistics do not include "less than carload" and express traffic.

These qualifications affect the basis of comparison. On balance, however, it is believed that the comparison is a fair one.

2. The Growth of the Trucking Industry: No reliable data exist which would enable one to trace the growth of the trucking industry by means of official statistics. However, using Dominion Bureau of Statistics data, certain important aspects of the industry's growth may be presented.

In the 1946 the average net investment per firm - excluding the smallest operators - was \$18,016; in 1957 the net investment per firm amounted to \$57,601, an increase by 220 per cent.

In 1946 the average net investment per employee amounted to \$475; in 1957 the net investment per employee increased to \$3,548. This



increase indicates the growing capital demands of the industry developing under competitive conditions in an era of fast technological progress.

The new capital invested in the industry which made these increases in capitalization possible came largely from the retained earnings of the firms, and individual savings of the proprietors.

3. Trucking Industry as an Employer: In 1957 - the last year for which a full set of Dominion Bureau of Statistics data is available - it is estimated that approximately 6,300 persons were employed directly by the "for hire" trucking industry in the Atlantic provinces. Considering the rate of growth of the industry during the last two years, the 1959 employment may be estimated at 7,000 persons.

In view of the large number of goods and services the trucking industry buys from outside suppliers, it is normally assumed that the ratio of "indirect" to "direct" employment is one to one, and will be larger if the industry is dominated by smaller firms which have to buy more services from outside. On this basis it is conservatively estimated that between 17,000 and 18,000 persons in the Atlantic provinces are either directly or indirectly dependent for employment on the fore-hire trucking industry.



4. Summary: A. The Trucking Industry

in the Atlantic region, in spite of very numerous difficulties, provides extensive and important transport services. If the transport movements within the region are considered, the trucking industry's share is more than 16 per cent of the railway traffic. If both the inter-provincial and inter-national movements are considered, the trucking industry's share in 1957 reached almost the figure of 200,000,000 ton-miles NET, which was equivalent to over 7 per cent of railway freight traffic.

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B. The Trucking Industry is an important employer in the Atlantic region; about 7,000 workers are employed directly by the industry. The total labour employed by the industry - direct as well as indirect - is approximately 18,000 workers.

C. In order to provide the necessary service to the public, and in order to assure efficient operations, and thus minimum cost transport and maximum employment, the trucking industry had to invest heavily. Between 1946 and 1957 net investment per worker increased more than seven times. Most of this new capital came from owners' savings and retained earnings.

Entry of Railway Carriers into Highway Transportation and the Maritime Freight Rates Act: All highway transportation firms in the provinces of Nova Scotia, New Brunswick and Prince Edward Island have had reason to observe with increasing concern the extension of railroad freight services into the field of highway transportation which has been taking place during the past few years. The development of railway-owned or controlled highway transportation services is not confined to the three Maritime provinces. However, in this area it has a particular significance which,



in our view, raises important issues of principle peculiar to the territory comprised within the "select territory" as defined in the Maritime Freight Rates Act (Chapter 174, R.S. Can. 1952).

It is unnecessary to set out in detail before this honourable Commission the nature and intent of the Maritime Freight Rates Act. It is sufficient to say that the Act is intended to provide a statutory rate reduction applicable to "preferred" movements of traffic by rail within and out of the select territory. The existence of such statutory rates, defined in the Act as not based on any principle of fair return to the railway for services rendered in the carriage of traffic (Section 6) has always presented to the highway carriers in the select territory a special competitive disadvantage limiting their ability to quote rates based on a fair return to themselves for services rendered with respect to a large volume of potential traffic. The extension of the service of the railway companies into the highway transportation field has created a new situation which, on the facts as presently established, appears to place the highway carriers at an added disadvantage.

The railway companies have extended railway freight service into the highway transportation field by two methods (and this applies to the Maritime provinces):

(a) The carriage of rail freight by road in highway freight vehicles owned by Smith Transport Limited. This company is substantially owned and



controlled by the Canadian Pacific Railway and carries freight for that company and the Dominion Atlantic Railroad under contractual arrangements.

(b) The carriage of rail freight by road in highway transport vehicles by Canadian National Transportation Limited, a wholly-owned subsidiary of Canadian National Railway Company under contractual arrangements made by Canadian National Railway Company.

The operations of Smith Transport Limited under its contract with the railroads are in conjunction with its general freight business as a highway carrier. Canadian National Transportation Limited, insofar as its operations within and into the province of Nova Scotia are concerned, has not been engaged in a general freight business and has transported freight only as a carrier under contract with the railroad.

With the coming into force in 1959 of the Motor Carrier Act of the province of Nova Scotia, Smith Transport filed applications with the Board of Commissioners of Public Utilities for the province of Nova Scotia for licenses as a provincial and federal carrier for general freight and under contract with the Canadian Pacific and Dominion Atlantic Railway Companies. Canadian National Transportation Limited likewise filed applications with the Board for licenses as a provincial and federal carrier for general freight and under its contract with Canadian National Railways. These



applications were opposed by the Maritime Motor Transport Association and a number of individual highway carriers operating over various sections of the routes applied for. These applications were heard at public hearings in Halifax on October 20th and October 27th respectively. From the evidence introduced in support of these applications certain details of the manner in which these contract freight services have been operated have been established by the sworn testimony of officers of the applicants.

The methods of operation in both instances are basically similar and are as follows:

(1) By Smith Transport Limited under its contract:

(a) The contract is an oral agreement;

(b) The applicant accepts freight from the railway company as an extension of the rail movement of such freight, e.g., freight originating in Halifax will be carried by road to Saint John, N.B. for onward movement by rail;

(c) The freight is carried under a railway bill of lading;

(d) There is no separate document covering the road movement;

(e) Smith Transport Limited is paid for its services at a mileage rate by the railroad;



(f) The applicant's witness had no knowledge of any segregation of the rail and road movements for the purposes of the Maritime Freight Rates Act or any other purpose;

(2) With respect to the Nova Scotia operations of Canadian National Transportation Limited:

(a) The contract is an oral arrangement although a draft of a proposed contract relating to future operations has been filed with the Board;

(b) Canadian National Transportation Limited accepts freight from the railway for carriage as an extension of rail movements, e.g. freight moved from Halifax, N.S. by rail to New Glasgow, N.S., destined for Port Hawkesbury, can be carried from New Glasgow by Canadian National Transportation Limited to its destination;

(c) Freight is carried throughout under railway bill of lading;

(d) No separate documents for the highway portion of movement are created;

(e) Canadian National Railways pays the operating expenses of the highway services performed by Canadian National Transportation Limited, together with an element of profit;

(f) The applicant's witness had no



knowledge of any segregation of the rail and road movements for purposes of the Maritime Freight Rates Act or any other purpose.

It is apparent from the foregoing that the arrangements between the railroad companies and the two highway carriers concerned are in substitution for the normal arrangements made between connecting carriers. The selection of one connecting carrier to the exclusion of all others results in an elimination of competition which is not in the public interest.

It is further submitted that the carriage of freight by Smith Transport Limited and Canadian National Transportation Limited under a railway bill of lading applicable to the entire movement of that particular consignment of freight involves a direct or indirect subsidy to the carrier under the Maritime Freight Rates Act with respect to all commodities and movements coming within the terms of that Act. In spite of the clear intent of the Maritime Freight Rates Act, to extend assistance to all rail movements only, the evidence given before the Public Utilities Board of Nova Scotia on these applications clearly indicates that no segregation is made of the motor carrier's portion of the movement. Unless such segregation is made and accurate accounts thereof maintained for purposes of the application of the Maritime



Freight Rates Act, there must be an element of direct subsidy to the combined rail -- road movement not applicable to a similar movement wholly by highway carrier or by highway carrier to or from connecting rail. This is an extension of the Maritime Freight Rates Act not authorized by the provisions of the statute.

It is further submitted that even if the segregation of the two types of movement is made there would remain an element of indirect subsidy to the combined rail -- road movement constituting a competitive advantage to the railway and its motor carrier not applicable to a motor carrier required to perform the entire movement by road.

The question of the nature and extent of any direct or indirect subsidy arising under the Maritime Freight Rates Act constituting an advantage to rail carriers over competing highway carriers is a matter of real concern to this honourable Commission and it is understood that more specific and detailed representations will be made to the Commission by the Canadian Trucking Associations, Inc. at a later stage in your hearings. The purpose of this memorandum and the evidence which will be given in support of these representations is to bring to the attention of the Board the facts relating to the operations of Smith Transport Limited and Canadian National Transportation Limited under their respective contracts with the railway companies as disclosed by the testimony



submitted by Smith Transport and Canadian National Transportation Limited in support of their several applications to the Board of Commissioners of Public Utilities of Nova Scotia.

The extent to which the railway carriers have entered the highway transportation field in the Maritime provinces can be shown by a brief summary of the present and proposed services of Smith Transport Limited and Canadian National Transportation Limited in these provinces.

I may say, Mr. Chairman, we will also be submitting at the main hearings in Ottawa another submission dealing with the question of railroad entry into the trucking field, and that is another reason why this information is brought out.

Smith Transport Limited operates in the province of New Brunswick under license of the New Brunswick Motor Carrier Board over routes extending into all sections of the province and through the province into the adjoining provinces. In the province of Nova Scotia this company operates from the New Brunswick border to Halifax and Sydney serving all intermediate points and virtually all routes in the western half of the province. Its applications now before the Nova Scotia board cover all existing services in, into and out of the province and new routes which would include virtually the whole of the province. This company enters Prince Edward Island with truckload shipments.



Canadian National Transportation Limited operates in the province of New Brunswick under license of the New Brunswick Motor Carrier Board covering all except the south-west portion of the province. An application for extension of this company's services is now before the New Brunswick Motor Carrier Board. In Nova Scotia this company operates from the New Brunswick border to Halifax and generally throughout the eastern half of the province to Sydney. Its applications now before the Nova Scotia Board cover all existing services with increased frequencies of service and new routes which would include the area of the province not already served by this company. The company serves practically all areas of the province of Prince Edward Island.

In some instances the services of Canadian National Transportation Limited are in replacement of rail services which have been discontinued. However, in the main the services now operated and applied for are parallel and in addition to rail services throughout all three provinces.

Piggy-Back in The Maritime Provinces:

Early in 1958 the Canadian Pacific Railway extended its piggy-back service, which is the transportation of highway semi-trailers and trucks on flat cars, into Saint John, N.B. from central Canada and Montreal. The C.P.R. piggy-back service was offered to independently-owned licensed motor carriers and is being used by them.

Some months after the C.P.R. piggy-back



service was inaugurated into the Maritime provinces the Canadian National Railway Company began their own piggy-back service from central Canada and Quebec into Moncton. Later the C.N.R. service was expanded to Fredericton, Halifax, Stellarton and Sydney. The C.N.R. confine their piggy-back operations to semi-trailers and trucks owned by the railroad or subsidiary companies. To this date they have not carried any independently-owned trailers or trucks (except furniture vans) on their piggy-back service into the Maritime provinces or within the Maritime provinces. The C.N.R. does offer this service to independently-owned carriers between Montreal, Toronto, Hamilton and in sections of western Canada. They have solicited independently-owned motor carriers in various sections of Canada to use their piggy-back service; but here in the Atlantic region, as the C.N.R. designates this area, they have not offered the use of piggy-back service to independently-owned motor carriers.

COMMISSIONER ANSCOMB: Thank you, Mr. Magee. Do I understand, Mr. Dickey, that the wish is that no questions be asked of Mr. Magee until Monday morning; is that your wish in the matter?

MR. DICKEY: Mr. Chairman, the intention was that the witness should be Mr. C.W. Moffatt, the Secretary-Manager of the Maritime Motor Transport Association, Inc., and he was to give the evidence. If there is any particular question that you might wish to direct to Mr. Magee, I am sure he



will be glad to try and deal with it, but it was Mr. Moffatt who was prepared to answer questions relating to the factual background of the submission.

COMMISSIONER ANSCOMB: I will leave it with you. If Mr. Magee would rather have it left until Monday morning --

MR. MAGEE: I would prefer to leave it to Mr. Moffatt.

COMMISSIONER ANSCOMB: All right, Mr. Magee. Thank you very much, Mr. Magee, for that submission and we appreciate it immensely.

As I understand it, gentlemen, there is nothing else further for today; that is my understanding. Do you have anything, Mr. Anderson?

MR. ANDERSON: No.

COMMISSIONER ANSCOMB: May I say on behalf of the Chairman, in view of the fact that we have to leave on Monday afternoon fairly early to get to Newfoundland, and we have a meeting with the Honourable, the Premier, and his colleagues at 2 o'clock on Monday so that we can have a very free and frank discussion with the government, we would like to meet here Monday morning at 9 o'clock if that would suit everybody, so that we have no rush about it and give you all the time that is required, but you will have to get up on a Western basis on Monday morning.

Do you have something, Mr. Anderson?

MR. ANDERSON: Mr. Chairman, there is an item which I would like to have read into the record



which is a supplement to the brief which we heard in New Brunswick, and they have asked that this should be put in, and I thought if it were brought up at the end of the day it would not interrupt the other briefs.

COMMISSIONER ANSCOMB: Will you proceed now?

MR. ANDERSON: In Fredericton the Commission heard a submission from the stove industry and the Chairman asked for certain information about agreed charges, and I have this letter in reply which is addressed to the Secretary of the Royal Commission on Transportation, and it reads:

"Yesterday at the hearings in Fredericton, the Chairman asked me what the rate on furnaces has been to Vancouver, and the new rate under an Agreed Charge which goes into effect today.

In the past, we have had one rate which applied to a car of 44,000 pounds and over of either stoves or furnaces or a mixture of both.

Under the new Agreed Charge, a 24,000-pound car will take a rate of \$4.05 on furnaces and a 30,000-pound car a rate of \$3.83.

This, I believe, is the information that was asked for. I am, Yours very truly, C.M.P. Fischer."



This is the gentleman who gave the brief.

COMMISSIONER ANSCOMB: Thank you.

Mr. Cooper, you don't require that as an exhibit?

MR. COOPER: It has been read into the record; I think that will be sufficient.

COMMISSIONER ANSCOMB: Well then, gentlemen, we will stand adjourned now until 9 o'clock Monday morning.

-- Whereupon the sitting of the Royal Commission on Transportation adjourned at 4.25 p.m. until 9 o'clock a.m. on Monday, November 16, 1959.

ROYAL COMMISSION

ON

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in the
Legislative Chambers, at Halifax,
Nova Scotia, on the 16th day of
November, 1959 at 9 a.m.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Acting Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. Mann	Member
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Mr. G. S. Cumming

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary

In the absence of Honourable
C. P. McTague, Q.C., Mr. M. A.
MacPherson, Q.C. presided.



--- Submission of the Maritime Motor Transport Association Inc. continued.

THE ACTING CHAIRMAN: Will you come to order, please. We have to finish up the work before noon, so we must get down to work now. Mr. Dickey?

MR. DICKEY: Yes, Mr. Chairman. On Friday afternoon a brief of the Canadian Trucking Associations, Inc. was read into the record by Mr. John Magee, the Executive Secretary, and this morning Mr. C. W. Moffatt, the Secretary-Manager of the Maritime Motor Transport Association, Inc., is here prepared to give evidence and answer any questions that may be required of him.

Before Mr. Moffatt gives his evidence, there was a statistical table filed with the reading of the brief on Friday afternoon, and Mr. Magee has some comments to make on that as a preliminary, and also some comments as to the statistical information that is available through the Dominion Bureau of Statistics relating to the trucking industry in the ten provinces, so I will now ask Mr. Magee to deal with the statistical summary.

THE ACTING CHAIRMAN: Mr. Magee?

MR. MAGEE: Mr. Chairman and members of the Commission, the question came up at the Charlottetown hearing about the statistical information on the trucking industry that is available, and because we are going to be using statistics in our submissions at the regional hearings across Canada from the Dominion Bureau of Statistics sources, I thought I might explain as



briefly as I could where we got these figures from and what is available to the Commission with regard to the statistical information on the trucking industry.

The Dominion Bureau of Statistics has published since 1941 a motor carrier freight report, and that gives information on the operations of for hire trucking companies in Canada; such information as property account, total cost of property and vehicles, operating revenues and with a breakdown of what comprises the operating revenues for for hire trucking firms, and also operating expenses and certain traffic statistics, and that is on the for hire section of the trucking industry only.

This is the report, sir, which was available to the Turgeon Royal Commission on Transportation of ten years ago. It is not a complete report, there are many imperfections in it, but the Bureau has been working to improve it and we have been co-operating through all of our associations to make that possible, and it is a much better report today than it was ten years ago.

In our submission, on which Mr. Moffatt is going to give evidence, we state in a sentence at the bottom of page 1 that, "No reliable data exists which would enable one to trace the growth of the trucking industry by means of official statistics," and I think in view of the fact that this report has been issued since 1941 that we ought to explain why we made that statement and the reason as given by the Bureau is found at page 5 of the Motor Carriers Freight Report for 1957,



as follows, "Throughout the report it should be noted that these data are not necessarily comparable since they are based upon reports from a continually changing number of reporting firms. In addition, the total does not always include the same firms from year to year because of the turnover of carriers engaged in the trucking industry. A further important reason for the changing number of reporting firms from year to year is the practice of discarding unsatisfactory reports in an attempt to improve the quality of these data. A considerable number of construction firms, contract carriers, urban transit companies, etc. have been removed from the mailing lists. Proper procedures present a problem because a great many freight carriers do not adequately describe their business operations, and provincial registration records do not provide sufficient information to identify the type of business carried on by each firm."

THE ACTING CHAIRMAN: I think, Mr. Magee, that the data is not quite complete, but it is the best you can give us.

MR. MAGEE: That is right, sir, but there is one big improvement that I wanted to just mention, and that is that there is another report which was done in 1957, the Motor Transport Traffic Statistics, which is also a Dominion Bureau of Statistics Report, which is for the first time the basic measurement of the ton mile, and that report covers, not only the For Hire trucking industry, but also private carriers and farm trucks and generally the whole trucking universe in Canada, and



while there are imperfections in that report, still there is a very big change in the amount of information that is available to this Commission as compared to the one ten years ago.

THE ACTING CHAIRMAN: I think that is the best D.B.S. information you can give us.

MR. MAGEE: That is right, sir. The other thing, Mr. Chairman, is that in connection with the table in our submission I would like to make one or two small corrections, and in our submission on page 1 under heading number 1, "Work performed by trucking industry in the Atlantic Provinces", sentence A should read, "the 'Maritime region' of the railways includes a part of Quebec; the south shore of the St. Lawrence River east of Levis," and we were in error in saying this figure did not include Newfoundland; they didn't include Newfoundland until 1956, but they have included Newfoundland in 1957, and the table in the figure for the railways given as animals and animal products, that figure should be 9,871 and not 9,877, and as noted the railway figures there do not include less than carload traffic or express, and the non-inclusion of the less than carload traffic affects the margin of error; it is only about one or two per cent in those figures.

THE ACTING CHAIRMAN: Yes, Mr. Dickey?

MR. DICKEY: Well, that is the brief explanation respecting the statistical position, and Mr. C. W. Moffatt is here and prepared to deal with any questions



that might arise out of the factual portion of the brief relating to the experiences of the trucking industry in the Maritimes.

MR. MANN: Mr. Moffatt, before I ask you a couple of questions, I want to just add something to what Mr. Magee has said about the new statistics that the Dominion Bureau of Statistics publishes, the Motor Traffic Transport Statistics which have been published in new form for a short time, and I think, Mr. Chairman, that it would be well here to acknowledge the tremendous assistance that the Canadian Trucking Association has given the Bureau in the compilation of this report, which all of us find extremely useful.

THE ACTING CHAIRMAN: I think that is right, but some truckers would be careless notwithstanding the producing they might get from the Association.

MR. MANN: Then, Mr. Moffatt, I had a look at this total and I find myself confronted by certain difficulties when I look at the railway ton mile figure total up at the very top, and then I totalled up the commodities and I am out by 142,250,800 ton miles and this is a bit of a margin of error which I can't understand, bearing in mind the source of it is the Weigh Bill study. Now, perhaps you might not want to comment on that now, but it would be helpful to our research staff if we could get an explanation on that.

Also in this connection I note that your table mentions that there is a difference between the total



for hire transport ton miles and the total which you get by summing up the commodities of 19,258,000 ton miles, which is in excess of 10 per cent, roughly 12 per cent, and it is a bit large. There again perhaps you might help our research staff by supplying us, or having the Dominion Bureau on Statistics supply us with an explanation of this deviation.

MR. MAGEE: I think the quickest way for us to deal with it is to file our working papers with the Commission on which the railway estimate was based. We have our accountants here, but I am not competent to go into the matter myself, but we could make a note of it.

THE ACTING CHAIRMAN: You can explain the matter to the Secretary.

MR. MAGEE: I will do that, sir.

THE ACTING CHAIRMAN: We can't expect that now.

MR. MANN: Now, on page 5, Mr. Moffatt, when you explain the operations of Smith's Transport, I have written down something here that I thought we might get some clarification on. Supposing you have a movement of Moirs Chocolates from Halifax to Toronto, do Smith's pick up the merchandise here in Halifax and deliver it by road to St. John and then hand it over to the C.P.R. which loads it into a box car and carries it to Toronto, and then do you say that if that happens the total weight is subject to the Maritime Freight Rates Act so far as the Maritime Freight Rates Act applies; is that what happens to your knowledge?



MR. MOFFATT: I have no particular knowledge of the internal movement.

MR. MANN: As an alternative, Smith could pick it up here in a truck and then this truck could be put on the flat car at St. John and taken by flat car as a piggy-back operation to destination; I wonder whether you knew about this being done?

MR. MOFFAT: I have no knowledge of that.

MR. MANN: Perhaps we might get someone who can explain this to us.

On page 6, Mr. Moffat, at about the middle of the page you are commenting on Canadian National and I suppose also on Smith's Transport, and you say, "It is apparent from the foregoing that the arrangements between the railroad companies and the two highway carriers concerned are" - and these are the words I am interested in - "in substitution for the normal arrangements made between connecting carriers. The selection of one connecting carrier to the exclusion of all others results in elimination of competition which is not in the public interest." Now, I wonder is this perhaps not similar to the normal interlining arrangements made between highway carriers? If one highway carrier interlines with another one, he doesn't undertake to interline with everyone, does he not choose the carrier he chooses to interline with?

MR. MOFFATT: Well, in certain provinces whatever interlining arrangements he makes with the other



carrier must be filed with the Board of Public Utilities or the Motor Carrier Board. Here in Nova Scotia if one carrier wishes to interline with another carrier he files the agreement with the Public Utilities so it is on record. In that case, I understand, that the bills are prorated, and in both these cases we refer to here there are no separate bills, it is a contractual arrangement both on operating costs and on a mileage basis.

MR. MANN: I understand that, but what I was wondering about is that this is quite normal; I think that is what I had in mind, it is quite normal for a highway carrier to select another highway carrier for interlining purposes, and to the exclusion of other carriers?

THE ACTING CHAIRMAN: It is a matter of choice?

MR. MOFFATT: It is strictly a matter of choice, providing there is more than one carrier to interline with.

MR. MANN: I see. On page 6, down towards the end of that page you say, "In spite of the clear intent of the Maritime Freight Rates Act to extend assistance to all rail movements only" - -

MR. MOFFATT: Pardon me, going back to your previous question, I would like to clarify that, that in most cases, in interlining it is the shipper who makes the choice rather than the carrier; he can direct the movement - -

THE ACTING CHAIRMAN: He is nudged by the carrier?

MR. MOFFATT: He can be through salesman-



ship and good merchandising.

THE ACTING CHAIRMAN: That is natural.

MR. MOFFATT: Page 7, was it?

MR. MANN: No, I am still on page 6, Mr. Moffatt.

It is roughly in the middle and a little bit towards the end of the last paragraph, "In spite of the clear intent of the Maritime Freight Rates Act, to extend assistance to all rail movements only," and so on, that sentence, "to all rail movements only"; I stumbled over that because you probably will recall that since 1951 as a consequence of a discussion which took place between the Turgeon Commission, the Maritime Freight Rates Act assistance was extended by section 41 (d), I think it is to the Maritime Freight Rates Act, to rail and lake movement, so perhaps we must modify that and say, "usually all rail movements since 1951" and I am just mentioning it because I know that you want your submission to be absolutely accurate.

Now, on page 8, Mr. Moffatt, you describe the operation of Canadian National transportation in the Maritime provinces. Could you tell the Commission whether the Canadian National have acquired any highway carriers in the Atlantic provinces?

MR. MOFFATT: Not to my personal knowledge.

MR. MANN: Is there anything official in the announcement recently made that Canadian National have acquired Sydney Transfer and Sydney Transport?

MR. MOFFATT: I have not seen any such announce-



ment.

MR. MANN: On page 8 you say that : piggyback extends to Sydney, Nova Scotia; did you have in mind Sydney Transfer when you wrote that?

MR. MOFFATT: I beg your pardon?

--- Page 806 follows.



MR. MANN: On page 8 you say the piggyback operations of Canadian National Transportation, or, Canadian National Railways, extend to include Sydney, Nova Scotia, and I was wondering if you had in mind Sydney Transfer when you wrote that?

MR. MOFFATT: No. These points, Moncton, Fredericton, Stellarton and Sydney are the points at which the C.N.R. have instituted equipment for unloading and loading trailers and flat cars.

MR. MANN: But as of today they are not serving Sydney by piggyback?

MR. MOFFATT: The C.N.R.?

MR. MANN: Yes?

MR. MOFFATT: Well, I presume they are or they wouldn't have the facilities there. They have advertised their service to that point.

MR. MANN: You may be ahead of me there. On page 9, the very last sentence, you say: "They have solicited independently-owned motor carriers in various sections of Canada to use their piggy-back service; but here in the Atlantic region, as the C.N.R. designate this area, they have not offered the use of piggy-back service to independently-owned motor carriers." You have previously told us that the C.P.R. does offer that to independently-owned carriers. Could you indicate as to why the C.N.R. does not?

MR. MOFFATT: I can't fathom their policy whatever.



MR. MANN: Thank you very much.

THE ACTING CHAIRMAN: One thing is clear, Mr. Moffatt, that your membership avoids using piggy-back in any form.

MR. MOFFATT: Avoids it?

THE ACTING CHAIRMAN: Yes.

MR. MOFFATT: No.

THE ACTING CHAIRMAN: You use it?

MR. MOFFATT: We have numerous members using piggy-back on C.P.R.

THE ACTING CHAIRMAN: Under St. John?

MR. MOFFATT: Yes; that is the only place it is available.

THE ACTING CHAIRMAN: But, generally speaking, you avoid piggy-back?

MR. MOFFATT: I can't say that, sir.

THE ACTING CHAIRMAN: Well, do you think that it is a natural development?

MR. MOFFATT: Well, it appears to be; and the very fact that independents are using it on the C.P.R. line would indicate that it has a purpose.

THE ACTING CHAIRMAN: Would you say your membership encourages the use of it or not?

MR. MOFFATT: We don't encourage or discourage. It is a matter of their own business.

THE ACTING CHAIRMAN: But you don't penalize members using it?

MR. MOFFATT: Certainly not.



MR. MANN: I have just a couple of questions arising out of what the Chairman was asking you. Do you feel, Mr. Moffatt, Canadian National should permit hired-carrier piggy-back operations?

MR. MOFFATT: Well, they are in the transportation business and they have that traffic.

MR. MANN: You feel, so far as your Association is concerned, that Canadian National extend the service to hired-carriers of your Association?

MR. MOFFATT: Well, we don't direct our members as to how they should run their business. They are independent. They run their businesses and they can choose any form of facilities available. We are not in a position to dictate to them.

MR. MANN: So far as your Association is concerned does it stand neutral so far as C.P.R. piggy-back operations are concerned, whether they are hired or under C.P.R. control?

MR. MOFFATT: The matter has never been considered at an Association meeting.

THE ACTING CHAIRMAN: You are not pressing for it at the present time?

MR. MOFFATT: We are neutral.

THE ACTING CHAIRMAN: This is the first time I have heard of the trucking industry being neutral towards the railway. It is history we are making!

MR. MOFFATT: I am speaking of the Maritime Motor Transport Association now.



THE ACTING CHAIRMAN: Mr. Balch?

COMMISSIONER BALCH: I have no questions.

THE ACTING CHAIRMAN: Mr. Cooper?

MR. COOPER: I had a number of points to ask Mr. Moffatt, but I find that I have been anticipated in a good many of them. As a result, Mr. Moffatt, I would direct your attention only to that section of the submission headed: "ENTRY OF RAILWAY CARRIERS INTO HIGHWAY TRANSPORTATION AND THE MARITIMES FREIGHT RATES ACT". It commences on page 3, and I have this question relating generally to that section: Is it the contemplation of the Canadian Trucking Association Incorporated that the railway should be prohibited from entering into, or engaging in, the business of highway transportation in the Maritime provinces through the means of wholly-owned subsidiaries or by any other means?

MR. MOFFATT: I believe it is the policy of Canadian Trucking Association.

MR. COOPER: On page 2 I would just like to get a little clarification of your figures of "..... 17,000 and 18,000 persons in the Atlantic provinces are either directly or indirectly dependent for employment on the for hire trucking industry....".

I am not quite clear how you get that figure, which appears to be quite a large total?

THE ACTING CHAIRMAN: What you want is a breakdown, Mr. Cooper?

MR. COOPER: Yes, a breakdown of the figures



mentioned - 17,000 and 18,000 persons. I know you want to be accurate in your brief; but, to me, it seems a large figure - in fact, both figures seem large; and I wondered if you could give us any further information as to how you arrived at those figures.

MR. MOFFATT: Well, the ratio is explained there as one to one, and the 7,000 figure is those employed directly in 1959, which would be increased considerably if you included the smaller operators; the ratio would be about 9,000 direct and indirect.

MR. COOPER: Do you, in giving the direct figure there of 7,000 persons, indicate an estimate of 1959 employment?

MR. MOFFATT: I think that comes within the realm of statistics and Mr. Magee and his economists have arrived at that conclusion. I would like to have Mr. Magee reply to that question.

MR. COOPER: Certainly; but before he does that, you state, or the submission states, that the ratio of indirect to direct employment is one to one, and "....will be larger if the industry is dominated by smaller firms which have to buy more services from outside...."

In so far as Nova Scotia is concerned - and I might say even the Atlantic provinces - is the industry dominated here by smaller firms?

MR. MOFFATT: I don't know the meaning of "dominated". There are far more smaller firms than



there are larger firms; whether the large number of smaller firms dominate is another question.

MR. COOPER: Well, the word is the word in the submission and I was wondering what you meant by that term and whether, in fact, the smaller firms do dominate here - and I think, to be fair, I would take the word dominate as meaning "pre-dominant"?

MR. MOFFATT: Yes; the smaller firms are more numerous.

MR. COOPER: But there is a tendency down here to consolidate all the smaller firms into larger and the larger firms have moved in and are buying up the smaller firms.

MR. MOFFATT: Well, they bought up the larger firms rather than the smaller firms.

MR. COOPER: Now, perhaps, Mr. Magee could answer the question about the 17,000 and the 18,000.

MR. MAGEE: This has to do, basically, with the number of small carriers in the trucking industry, and, of course, in actual numbers of trucking firms, the small carriers outnumber by far the larger trucking firms.

For example, in 1954 the carriers with gross revenues of less than \$20,000.00 comprised 65 per cent of all firms, according to the Dominion Bureau of Statistics, and accounted for only 6 per cent of the total revenue of the Canadian trucking industry.

THE ACTING CHAIRMAN: As I understand it,



this figure of 17,000 or 18,000 is your own figure, not a D.B.S. figure?

MR. MAGEE: It is our own estimate, and it is on the ratio of one to one; plus the fact, as stated in the brief, "....that the ratio of 'indirect' to 'direct' employment is one to one, and will be larger if the industry is dominated by smaller firms which have to buy more services from outside....". That is where we arrive at our figure of 17 or 18,000 persons. The one to one ratio is dealt with by Leontief in his book "Further Study on the structure of the American Economy," which is a Harvard Research project; and that is where we got the one to one ratio.

MR. COOPER: Just one small point. On page 8 of the submission appears the sentence: "However, in the main the services now operated and applied for are parallel and in addition to rail services throughout all three provinces...." And you were referring there to the services of Canadian National Transportation Limited as being in some instances in replacement of rail services which have been discontinued. My recollection may be wrong, but as I understood the situation in Prince Edward Island Canadian National Transportation Limited there was engaged in the trucking industry generally only along routes which had previously been served by the railways; is that correct?

MR. MOFFATT: That is the impression I got at the Island, too.



MR. COOPER: So in so far as Canadian National Transportation Limited is concerned they are not operating, in at least one province, in addition to the railway service, but merely in Prince Edward Island in substitution for services which have been abandoned?

MR. MOFFATT: May I have that again, please?

MR. COOPER: As I understood the situation when we were in Prince Edward Island there were certain lines of railways which had been abandoned, at least for parts of the year.

MR. MOFFATT: Yes.

MR. COOPER: And in those instances a truck service was provided by Canadian National Transportation Limited?

MR. MOFFATT: Yes.

MR. COOPER: As a substitute for the railway service formerly provided?

MR. MOFFATT: Yes.

MR. COOPER: And as I further understood it there was no other trucking service by Canadian National Transportation in Prince Edward Island?

MR. MOFFATT: I don't know if that is right, but that is my understanding.

THE ACTING CHAIRMAN: Mr. Boyd?

MR. BOYD: On page 7 I notice the statement that "... more specific and detailed representation will be made to the Commission by the Canadian Trucking Associations Incorporated at a later stage in your hearing.."



I presume that is at Ottawa?

MR. MOFFATT: Yes.

MR. BOYD: For that reason I do not propose to cross-examine you at great length now, but rather reserve the questions for Ottawa.

Referring back to Table 1 which Mr. Mann referred to, I added up the two columns for railways and "For Hire" trucks and took a percentage, and I find that the percentage would be 12.8 instead of 16.4. Have I got that right?

MR. MOFFATT: Well, I think you have got the same answer as Mr. Mann.

MR. BOYD: I don't think he worked out the percentage. Incidentally, this figure does not include the L.C.L. and express carried by the railway. The ratio would be reduced still further if these were added.

MR. MOFFATT: I would say so, yes, that is likely.

MR. BOYD: Then, on page 1 you have used the term "Maritime region..". Does that have some special meaning in the highway industry?

MR. MOFFATT: Mr. Magee will have to answer that question because this came from his department.

MR. MAGEE: Is it from the Way Bill Study of the Board of Transport Commissioners for 1957, and those figures in the first column come from the Maritime region figure given in the Way Bill Study. I don't know if they use the term



COMMISSIONER MANN: The difference is one between the railway terminology and the Way Bill terminology. You use the "Atlantic region" and the Way Bill use "the Maritime rate territory".

MR. BOYD: I was confused by the reference to "Maritime region." It really refers to the Atlantic region.

COMMISSIONER MANN: Mr. Magee should have said "Maritime rate territory" for the purpose of the tabulation.

MR. COOPER: Mr. Chairman, if it would be helpful, I have the Way Bill analysis, and the introduction in the explanation of "Maritime region".

Perhaps I could put this on the record. I am quoting to you from the introduction to the Way Bill analysis, prepared by the Board of Transport Commissioners for Canada, 1958: "The Maritime region consists of provinces of Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and that portion of the province of Quebec lying east of Levis and Diamond, Quebec."

MR. BOYD: On page 2, Mr. Moffatt, you give figures there of the average net investment between 1946 and 1957 and also the average net investment for employees between 1946 and 1957. I made a calculation - perhaps you will see if you agree with it - that the number of employees per \$10,000.00 invested range from 21 in 1946 to 3 in 1957; that is, 3 employees per \$10,000.00 invested in 1957, whereas it was 21 for each



\$10,000.00 invested in 1946. It indicates that the labour content of your operation expenses is being reduced?

MR. MAGEE: I wonder if that question could be dealt with at the hearing in Ottawa?

THE ACTING CHAIRMAN: Yes, quite.

MR. BOYD: The last portion of the brief, starting at page 8, refers to piggy-back in the Maritimes, and you refer, in the last sentence, to the fact that the C.N.R. "...have not offered the use of piggy-back service to independently-owned motor carriers." Is this information given as the basis for a complaint on your part?

MR. MOFFATT: It wasn't filed with the intent of making a complaint. It was brought out as a matter of evidence and information for the Commission.

THE ACTING CHAIRMAN: I think it would be more helpful to the Commission if the Associations would make some more definite announcement on the principle of piggy-back. Are they for it, or against it? Do they want it or do they not? I think that would be helpful to us. But that can wait for Ottawa.

MR. BOYD: If it is a complaint the complaint would be in your capacity of shipper, not carrier?

MR. MOFFATT: Yes.

MR. BOYD: With reference to the portion of your brief dealing with the MFRA, you are aware, of course, that section 10 of the Maritime Freight Rates



Act empowers the Board of Transport Commissioners to hear and determine all questions arising under the Act?

MR. MOFFATT: That is right.

MR. BOYD: Thank you, Mr. Moffatt.

THE ACTING CHAIRMAN: Mr. Wright?

MR. WRIGHT: I have no questions, Mr. Chairman.

THE ACTING CHAIRMAN: Mr. Dickey?

MR. DICKEY: No, that is all, thank you, Mr. Chairman.

THE ACTING CHAIRMAN: Does that complete your submission?

MR. DICKEY: That completes the submission at these hearings.

THE ACTING CHAIRMAN: But you will be at Ottawa?

MR. DICKEY: That is right.

THE ACTING CHAIRMAN: Thank you, Mr. Dickey.

Now, we have the Nova Scotia Fish Packers Association.



SUBMISSION OF
NOVA SCOTIA FISH PACKERS ASSOCIATION

APPEARANCES:

Mr. R. F. Johnson

Mr. Ronald Smith

Mr. Andrew Cunningham

Mr. Clare Weatherbe

MR. JOHNSON: Mr. Chairman, may I say that Mr. Smith, Mr. Cunningham and Mr. Weatherbe are officers in our Association and are here to assist in answering any questions which may be asked after our submission.

This submission is made on behalf of the Nova Scotia Fish Packers Association which is a trade Association in its eighteenth year of operation. The active membership is comprised of processors and producers of fresh, frozen and smoked fish and fish products, shellfish, and fishery by-products, conducting operations in the Province of Nova Scotia. The Association is affiliated with the Fisheries Council of Canada but has no Government affiliation and does not attempt to present Government views.

The present membership includes the following companies, together with any subsidiaries or branches operated by them in the Province:

Acadia Fisheries Limited	Mulgrave, N.S.
Booth Fisheries Canadian Co. Ltd.	Petit-de-Grat, N.S.
British Columbia Packers Ltd.	Canso, N.S.



British Columbia Packers Ltd.	Clark's Harbour, N.S.
40-Fathom Division National Sea Products Ltd.	Halifax, N.S.
Long Island Fisheries Ltd.	Tiverton, N.S.
Lunenburg Sea Products Ltd.	Lunenburg, N.S.
National Sea Products Ltd.	Lockeport, N.S.
National Sea Products Ltd.	Louisbourg, N.S.
H. B. Nickerson & Sons Ltd.	North Sydney, N.S.
North Sydney Agencies Ltd.	North Sydney, N.S.
Sea-Seald Division, National Sea Products Ltd.	Halifax, N.S.
Sea-Seald Division, National Sea Products Ltd.	Digby, N.S.
Seaweed Products Limited	Yarmouth, N.S.
Shelburne Fisheries Limited	Shelburne, N.S.
Snow Brothers Reg'd.	Digby, N.S.
Swim Brothers Limited	Lockeport, N.S.

Located throughout the Province from Yarmouth to North Sydney, these plants handle upwards of 90 per cent of the annual Nova Scotia output of fresh, frozen and smoked fish and fish products including the by-product fish meal.

The Association maintains an office at 237 Hollis Street, Halifax, Nova Scotia, and any company, partnership or individual engaged in the fish packing industry in the Province is eligible for membership.

The aims and objects of the Association as set forth in the Articles of Association include: the protection of the interests of the processors and packers



of fish in Nova Scotia; the promotion of a co-operative spirit for the mutual benefit of the industry; the promotion of improvements in fishing methods, curing, packing and transportation, also in harbour accommodation, navigational and other aids for fishing; the collection and circulation of statistics relating to the fishing industry; the organization and dissemination of information of an educational nature among members; the conservation and development of the fishing industry on commercial, scientific and educational lines; and promoting increased consumption of fish and fish products in both Canada and the United States.

In matters of common interest to the membership such as fish inspection, fishing regulations, steamship inspection, radio-telephone communications, transportation, etc., the Association is the medium through which representations are made, as necessary, to the appropriate Departments and agencies of the Federal and Provincial Government.

It should possibly be noted here that the Association has absolutely nothing to do with establishing or influencing the purchase or selling prices of fish and fish products, and it is never used as a buying or selling agency on behalf of the membership.

The commercial fishery of Nova Scotia is centuries old but the catch was marketed almost entirely as salted, pickled and smoked fish prior to the first decade of the present century. About that time the market-



ing of fresh fish outside the Province became of some importance to the industry, and shortly thereafter there followed air-freezing of fish which required the building of cold storage plants at strategic points along the coast and the utilization of refrigerated railway cars to transport the products. These developments made it possible to open up new markets for fresh, frozen and lightly smoked fish in Central and Western Canada. The next major development in the industry was the filleting of such species of fish as cod and haddock which occurred almost four decades ago, and as early as 1926 carloads of Nova Scotia frozen fillets were shipped by rail to Western Canada and such distant points in the United States as Kansas City and Cincinnati. Among the advances made by our industry since then have been the introduction of 1-pound consumer packages of fillets, fish sticks, portion-packed frozen fillets, pre-cooked packaged fish such as fish and chips, fritters, etc. and vacuum packaged fresh fillets. This brief record of changes is cited to demonstrate that our industry is doing everything possible to keep pace with the development and expansion of the frozen food industry and to compete for a share of the consumer expenditure on food.

To develop and produce these new products and to merchandise them in easy to prepare forms, attractively and conveniently packaged, has entailed the building of new plants, rebuilding and modernizing old ones, employing production line methods and utilizing the most



modern machinery available, with the result that the fish processing plant of today bears little resemblance to those of 30 or 40 years ago which were little more than shelters equipped with work tables where employees did the processing by hand. The plant of 1959 not only represents a large investment of capital in buildings and equipment on land, but includes deep-sea trawlers necessary to provide a year-round supply of fish the current replacement value of which is in the vicinity of \$300 thousand each. More than 40 of this type of trawler are presently in operation in Nova Scotia.

The importance of the fishing industry to the economy of Nova Scotia cannot be over-emphasized.

"The Maritime Provinces in Their Relation to the National Economy," published by the Dominion Bureau of Statistics in 1948, says in part:

"On the basis of its natural advantages the fishing industry has been and still is one of the corner-stones of the Maritime economy."

We submit that this applies in particular to Nova Scotia, and is as applicable today as it was in 1948.

The landed value of the 1958 catch in Nova Scotia was \$24.8 million and represented a total poundage of all species of fish and shellfish caught of 464.7 million. Approximately 14,000 fishermen took part in the fishery and some 4,000 men and women were given employment in the plants processing, packaging and shipping this catch of fish. Dominion Bureau of Statistics



show that in 1957 fish processing was second only to primary iron and steel as an employer among Nova Scotia's ten leading manufacturing industries, and ranked second also in value of factory shipments with a total of \$43.9 million.

Due to our relatively small population we in Nova Scotia consume a negligible percentage of our total output of fish and fish products notwithstanding that our per capita consumption is higher than the national average. In the absence of specific statistics we conservatively estimate that less than 5 per cent of our total output of fresh, frozen and smoked fish including fillets and pre-cooked products is marketed locally. In other words, more than 95 per cent of our industry's sales are made in Central and Western Canada and the United States, and because of our geographic location this means long hauls to these markets, e.g. 773 miles from Halifax to Montreal; 1104 miles from Halifax to Toronto, and 1248 miles from North Sydney to Toronto.

It is to our domestic market, and the Central Canadian market in particular, that we should and must look for increased consumption and greater sales. Depending as we now do to such a large extent on the important and valuable United States market leaves us very vulnerable to marketing changes of problems beyond our control which could deal a serious blow to our industry. For example, in the past decade no less than three separate applications have been made to the United States



Tariff Commission by the New England fishing industry seeking protection in the nature of increased tariffs, and quotas on imported groundfish fillets. There is also the matter of exchange rates since it is established practice to sell in U.S. currency, and because of the high premium of the Canadian dollar over the past several years - in recent months especially - our exporters to the U.S.A. have been at a great disadvantage. These risks and dangers would not apply to the same degree as at present if we could sell more of our products in Canada - and this means Quebec, Ontario and the Prairies. With a combined total population in the three Maritime Provinces equal to only one-quarter the population of Ontario alone, and with a present per capita consumption of fish in the Maritimes at least double the national average of some 13 pounds, we cannot hope or expect to get any worthwhile increase in sales locally. Our industry is well aware of the need to expand our sales in Canada and as evidence of this our members have for the past several years given financial support to a domestic sales promotion program conducted through the Fisheries Council of Canada. Only last year we doubled our contribution to this program.

Whereas there is a high degree of uniformity of consumption in all areas of Canada of such foods as eggs, butter, milk and meat, there is a wide variation by areas in the per capita consumption of fish. While it is relatively high in some sections it is practically nil in others, and it is generally accepted that fish



consumption decreases in proportion to the distance from the sea coast to the places of consumption. However, as we have indicated earlier it is to these inland markets with their large and rapidly increasing populations that we must look for the sale of our products.

These factors that we have cited show the important part that transportation plays in the marketing of the products of the Nova Scotia fishing industry. Furthermore, because our products are highly perishable the more costly classes of transportation, i.e. refrigerated, must be utilized to assure that the ultimate consumer receives a product of the highest quality possible.

The principal means of getting our fish to these Central and Western Canadian and U.S.A. markets are rail freight and express, and motor truck. Increasing use is being made of refrigerated motor trucks because of the advantages they offer over rail cars in the matter of costs, convenience and speed.

Our industry is one which handles a large volume of product on a small margin of profit, and it is highly competitive with so many producers and processors engaged in it. There is also the competition with other protein foods, and in many cases these foods are produced closer to the large consuming markets.

These factors are cited to show that this industry is not in a position to absorb the constantly increasing transportation charges - an example of which is the Halifax to Toronto rate on fresh and frozen fish



in 20-thousand pound minimum cars which has been increased since 1945 from 27 cents to \$1.31 per 100 pounds gross weight. This means that in reality when account is taken of the weight of the container and the cost of initial icing and re-icing that this Halifax-Toronto rate is about \$1.73 per 100 pounds of frozen fish. Even with a 10 per cent increase in the rate of subvention under the Maritimes Freight Rate Act and the present temporary rate reduction under the Freight Rates Reduction Act, this Halifax-Toronto rate which we are using as an example, has increased since 1945 by 129.8 per cent. On the other hand the selling price of our products has not kept pace. For example, whereas the 1945 rate represented only about 4 per cent of the f.o.b. value of frozen cod fillets - our largest volume product - the present rate represents approximately 7 per cent.

Turning now to the by-products segment of our industry, on December 6, 1951, the Atlantic Fisheries By-Products Association presented a brief at a freight rates hearing before the Board of Transport Commissioners in Ottawa. The arguments submitted then are still valid today, and in fact, the trend during the intervening years has followed very substantially the pattern that was then feared, i.e. continuing freight rate increases.

The following is an excerpt from the Board's Judgement dated January 14, 1952, dealing with the submission in question:

"The brief presented stresses the competition that



Fish Meal encounters from such products as soyabean meal, meat meal, tankage (animal offal) and meat scraps, synthetic products and foreign fish meals; that further uniform horizontal increases will react unfavourably to the fish meal industry in the Maritimes.

In a general way it appears that the basic problem is one of overcoming geographical disabilities, in that substantial freight hauls are necessary to reach the principal markets in Ontario, where the competing products are produced, and that foreign competition by water is also encountered.

In the course of the presentation of the brief it was developed that no approach had been made to the railways for assistance in meeting the conditions described; that similar products are shipped from British Columbia to the East at higher rates than from the Maritimes, all of which indicates that this is a problem for individual study. The brief makes no suggestion as to what specific relief is necessary from a horizontal increase and it leaves me very much in the dark as to what relief could be afforded. I therefore conclude that this is a matter for consideration between the applicant industry and the railways, without prejudice to a specific application to the Board if such should be necessary later."

Following the judgement of the Board specific



requests were made to the railway companies for assistance without relief of any description being granted. One of the major requests, and one which the fish meal industry felt was completely justified, was to have a lower commodity freight rate established on a higher minimum carloading weight.

We agree with the decision of the Board that "... the basic problem is one of overcoming geographical disabilities...". The question still unanswered however is, how can these geographical disabilities be overcome? It is self evident that an industry which depends upon the resources of the sea for its raw material cannot move its catching and processing operations to Central Canada, and must therefore continue to suffer from the long haul to important markets. We submit that a satisfactory solution to this basic problem would be one of the most important recommendations that could be advanced by this Royal Commission. It would not only answer the problem of the fish and the fish by-products industry but also that of industry generally in the Atlantic Provinces.

As to specific rail rates on fish meal, using Toronto as a shipping destination from Halifax, since 1935 there has been an increase in the rate on carload shipments of 132.5 per cent - and this despite the increased rate of subvention under the Maritimes Freight Rate Act which became effective July 1, 1957 and the present temporary rate reduction under the Freight Rates



Reduction Act.

(Rates in cents per 100 lbs. C.L.M. 50,000 lbs.)

	<u>Jan. 1, 1935</u>	<u>Nov. 1, 1959</u>	<u>Increase</u>
Halifax to Toronto	37	86	132.5%
	<u>Nov. 1, 1948</u>	<u>Nov. 1, 1959</u>	<u>Increase</u>
Halifax to Toronto	45	86	91.1%

While freight rates have increased by 91.1 per cent during this 11 year period the price of fish meal today is from the same price to $7\frac{1}{2}$ per cent lower than it was in November 1948, while during this period processing costs have increased quite substantially. Expressed another way, in November 1948 the rail freight rate in effect at that time represented 7.3 per cent of the f.o.b. Halifax selling price whereas today it represents 13.6 per cent of the selling price.

These illustrations point up the seriousness of the present situation.

Fish meal is an important component of live-stock and poultry rations and as such is hitched to the agricultural economy of Canada. It is therefore subject to market fluctuations in the prices of agricultural products. From the standpoint of the Maritime Provinces, the fish meal industry is of great economic importance to both fishing and farming - two of our basic industries.

Because of the high rail freight rates noted above on fish meal some use has been made this year of



the St. Lawrence Seaway in transporting meal to the Ontario market, and there will be a growing tendency to expand this method of shipment.

In summary, we do hope that through this brief we will assist the Commission in some measure in a better understanding of the problems and the position of our industry as related to transportation. It is our contention that the rate structure should be so designed that the products of our industry, which are of such importance to the economy of Nova Scotia, can reach Canada's major consuming markets at reasonable transportation costs.

Respectfully submitted, Nova Scotia Fish Packers Association, per R. F. Johnson, Secretary. Halifax, Nova Scotia, November 13, 1959.

THE ACTING CHAIRMAN: Now, Mr. Johnson, your main complaint is with the horizontal increase?

MR. JOHNSON: Yes, sir.

THE ACTING CHAIRMAN: And you do not suggest any, as you call it, satisfactory solution? You leave that to this Board to crack?

MR. JOHNSON: That is right, sir.

THE ACTING CHAIRMAN: And you realize it is a hard nut?

MR. JOHNSON: Yes.

THE ACTING CHAIRMAN: Now, on page 2 near the bottom of the page you say that your Association has absolutely nothing to do with establishing or influencing the selling price of your fish or products?



MR. JOHNSON: That is true.

THE ACTING CHAIRMAN: You are not a combine in that sense. I am sure the fishermen will be glad to hear that. On page 3 you refer to your market in central and western Canada and as a matter of information, is your market in western Canada developing?

MR. JOHNSON: Perhaps Mr. Smith can answer that.

MR. SMITH: No, I would say we are holding our own in western Canada, but no more than that.

THE ACTING CHAIRMAN: On page 3 you refer to trawlers. Probably it is not in the jurisdiction of this Commission, but I have a recollection of your having trouble with foreign trawlers. Is that still a trouble for the industry in this province?

MR. JOHNSON: Again if I might pass to Mr. Smith.

MR. SMITH: I would not say our trawlers are troubled too much by foreign trawlers, but some of the other types of fishermen, fishermen who use lines and that sort of thing are troubled by foreign trawlers. Foreign trawlers as you know, have a right to fish within three miles of our coast.



THE ACTING CHAIRMAN: On page 6 that is really your horizontal increases you are speaking of there?

MR. JOHNSON: Yes.

THE ACTING CHAIRMAN: On page 7 where you quote in the brief from the Judgement of the Board of Transport, you refer to foreign competition by water. What foreign competition by water did you have in mind?

MR. JOHNSON: Mr. Cunningham presented that brief; possibly he could answer that.

MR. CUNNINGHAM: At the time South African meal was moving into the Montreal market by water; we have had no competition from that source in recent years.

THE ACTING CHAIRMAN: That doesn't really exist today.

MR. CUNNINGHAM: At the moment it doesn't exist, but it can exist in the future if they want to come back to this market again.

THE ACTING CHAIRMAN: On the last page, Mr. Johnson, referring to the St. Lawrence Seaway, you realize that any traffic that goes by water will not go by rail, so this is traffic lost to rail?

MR. JOHNSON: That is right, sir.

THE ACTING CHAIRMAN: Now, do you expect that to increase?

MR. JOHNSON: Mr. Cunningham again possibly can answer that.



MR. CUNNINGHAM: Yes, we do expect that to increase, and there is only one carrier on this year which started out with space only for about 90 tons and now they have increased that space capacity to around 160 tons, and we do expect in another year there may be other carriers and that may make some changes in the present setup.

THE ACTING CHAIRMAN: What percentage of the traffic will that take?

MR. CUNNINGHAM: At the moment it is a fairly small percentage, but in another year it could run into 25 or 30 per cent of the traffic.

THE ACTING CHAIRMAN: Which you have taken from the rails?

MR. CUNNINGHAM: That is right.

THE ACTING CHAIRMAN: Is that the cheaper?

MR. CUNNINGHAM: 'At the moment we can't tell; we assume it is. The present carrier is carrying the fish up there for his own man and selling it there. We assume it is an advantage to take it by boat. They are also taking it by air or on an f.o.b. basis at the ports of Lunenburg and Halifax, and they are prepared to go to Louisbourg or any of the other ports to ship from.

THE ACTING CHAIRMAN: Is it your expectation that the water rate will be lower than the railway?

MR. CUNNINGHAM: I would think so.

THE ACTING CHAIRMAN: Materially lower?



MR. CUNNINGHAM: I would say so.

THE ACTING CHAIRMAN: Percentage-wise?

MR. CUNNINGHAM: I can't say, sir; I have no definite proof.

COMMISSIONER ANSCOMB: Mr. Johnson, I am afraid I may be a little disjointed in my references, but where does your chief competition come from when you get what you describe as central Canada, Ontario and Quebec - where do the supplies come from that compete with you in that market?

MR. JOHNSON: It would be the lake fisheries and the fisheries of the west coast. Our big volume item is cod and they are not producers of cod in volume on the west coast and it is not a fresh water fish, so we have no producers of cod that compete with us in central Canada, but it is for protein foods.

COMMISSIONER ANSCOMB: What disturbs me or mystifies me - I don't know anything about it - is on page 6 you say, "On the other hand the selling price of our products have not kept pace." And on page 8 you refer to the price of fish meal as being the same price today or $7\frac{1}{2}$ per cent lower than in 1948, that is a decade ago. Can you not get your price up? Is competition so bad you have to go down instead of up? Everything else in the world has gone up and I can't understand why the price of fish hasn't gone up?

MR. JOHNSON: Mr. Smith is vice-president of National Feed Products and is in a better position



to answer that.

COMMISSIONER ANSCOMB: Salmon from British Columbia will not compete with your type of fish in that market?

MR. SMITH: As far as our own products go - speaking of cod and haddock - we have no competition on those particular items on the markets in Canada except on the Atlantic Coast, but there we compete for the consumers' food dollar and we hope to get it. Our prices have to be competitive with many other protein foods.

COMMISSIONER ANSCOMB: I understand that, but surely are they not competitive when your rates are less than they were a decade ago and the price of everything else has gone up? Can I ask you one other question and perhaps you will not want to answer it; you say you doubled your contribution last year to what I would call advertising and such like to make the consumer fish conscious. Now, if you would rather not answer it, don't answer it. The reason I ask you is because it seems to me that your total value of \$44 million that you have got a lot of stuff to sell, and it may be necessary to have a national advertising campaign to make people fish conscious; that is what I want to find out.

MR. SMITH: There have been several such campaigns. Perhaps they haven't been as large as they should have been, but we are having them increasingly



as the years go by and we are spending much more money in advertising and sales promotion in an endeavour to move more fish.

THE ACTING CHAIRMAN: Mr. Gobeil?

COMMISSIONER GOBEIL: Mr. Johnson, on page 5 at the end of the page you mention that increasing use is being made of refrigerator and motor trucks. Will you tell us what percentage of the fish going to central Canada is going by truck and railroad?

MR. JOHNSON: If I may pass that question along to Mr. Weatherbe.

MR. WEATHERBE: I don't know; it is a pretty hard thing to give, I don't have those figures.

COMMISSIONER GOBEIL: What I had in mind was there is a big increase in truck transportation for fish, say, for the last five years, or is it just starting or remaining stationary?

MR. WEATHERBE: I would say it started about a year or a year and a half ago; truck transportation has increased. Before it was practically all rail.

MR. SMITH: Mr. Gobeil, probably it wouldn't exceed - let us say Montreal, Quebec and west - probably it wouldn't exceed 10 per cent at the present time, but it has been increasing. The reason it hasn't been greater is up to the present time the services - trucking services haven't been as freely available to Quebec and west as they have been, let us say,



to Nova Scotia and to the United States, and in these movements the truck has practically taken over the movement from, as I say, Nova Scotia to Boston and New York. A very, very heavy percentage of fish shipped to these markets move by truck, and I think the reason that more is not moved by truck to the Canadian areas is that the services haven't been available up to this time in the same number of units as there are available to ship to the United States.

COMMISSIONER GOBEIL: Is there a big difference in costs between truck and railroad for Boston?

MR. SMITH: There is some difference; the difference is not so much in dollars as it is in convenience; leaving from storage in Halifax, let us say, to storage in Watertown, Massachusetts, and plus the fact that the merchandise moves so much faster, about 28 hours from Halifax to Boston by truck, and by freight it will probably be more than double.

COMMISSIONER GOBEIL: Thank you, sir.

THE ACTING CHAIRMAN: Have you any agreed charge on fish?

MR. SMITH: You mean with the railways?

THE ACTING CHAIRMAN: Yes.

MR. SMITH: No sir. It is hauled by ton commodity rates.

COMMISSIONER MANN: You have no competitive rates, Mr. Johnson, on any of your fish movements to central Canada, do you? They are all commodity rates



as I believe Mr. Smith mentioned.

MR. JOHNSON: I believe so.

COMMISSIONER MANN: Your competition with New Brunswick Fisheries and Island Fisheries and also with Quebec Fisheries and the Gaspé Bay Fisheries, are there to your knowledge any competitive rates from those areas to central Canada?

MR. JOHNSON: I understand from Gaspé Bay to Montreal and Quebec there are.

COMMISSIONER MANN: These would be motor truck competitive rates?

MR. JOHNSON: Yes, I understand so.

COMMISSIONER MANN: Mr. Anscomb asked you about the problem that your fish meal prices are today about the same or $7\frac{1}{2}$ per cent lower than they were in November of 1958. Now, I think you indicated that to some extent the reason for that is due to the fact your competition - not so much with fish meal from other sources but with other ingredients such as soy bean meal and vitamin supplements which Canada uses for poultry and feed mashes.

MR. CUNNINGHAM: That is right, and in so far as prices are concerned, if I may be permitted, about 80 per cent of fish meal is used in poultry feed and the other 20 per cent on hog starter foods, turkey and calf starters, and because of that the price of fish meal was hitched to the price of agricultural



products. We are going through a cycle of very serious cut-backs, and this is particularly so in the hog business; the reason being that just recently the Department of Agriculture adopted a policy of deficiency rather than lower prices. The processor and the producer must find his own markets now and he will be paid the deficiency between the national average in the markets and what the floor is. As a result of that, everybody is cutting back and, as a matter of fact, as in hatcheries for layers, in recent weeks it has been down over 50 per cent as compared to last year, and the hog industry has been cut very seriously back because there are no producers who will take a chance on being caught with a lot of stuff for which he has no market, and for that reason agricultural prices are very low at the present time and the outlook for the next year seems to be down.



COMMISSIONER MANN: Mr. Johnson, I think perhaps this is another one for Mr. Cunningham: looking at the rate of fish meal from Halifax to Toronto, that I take it is a commodity rate?

MR. CUNNINGHAM: That is a commodity rate based on 50,000 pounds.

COMMISSIONER MANN: You have anticipated my next question, because I was going to ask you the minimum rate. You mentioned that you had suggested that in return for a lower rate you were willing to load to a higher volume. Could you perhaps give us an indication of how much you could load, what kind of carload minimum weight you could still have and be commercially -?

MR. CUNNINGHAM: Well, previously to the last war, the same carload minimum weight of 50,000 pounds was in effect. At that time all car shipments were shipped at 50,000 pounds. Under the War Measures Act the minimum carloading was increased from 50,000 to 60,000 pounds, and, of course, we had to switch to 60,000 pounds. Now, we have been successful in continuing on that basis since that time and there are very few cars shipped below. We feel in view of that we were passing on to the railway some savings in number ton mile traffic. If you want to look at Toronto today, the rate is 86 cents per hundred pounds from Halifax to Toronto. When we ship 60,000 pound cars today they are shipping 10,000 pounds more than what we are required to ship on which the railways get an additional \$86.00 a car because



we are shipping 60,000 rather than 50,000. They have to use five cars instead of six cars and we feel in consideration of that we should have been given some relief. I think it is getting to be in the United States today the railways are going to these jumbo cars and you get the regular rate on the established rate and if you ship anything over you are given some graduated reductions which in turn lowers the average rate.

COMMISSIONER MANN: This American practice is what we call incentive rates?

MR. CUNNINGHAM: That is right.

THE ACTING CHAIRMAN: The quid pro quo would be very helpful to you?

MR. CUNNINGHAM: That is right, sir.

COMMISSIONER PLATT: I rather gathered from the questions and answers that have been going on that the profit in the fish meal industry is largely tied to the state of agricultural production. Would it also be a fair statement to say that the price of all fish commodities, that is edible fish for human consumption, is also tied closely with the relative prosperity or otherwise of the agricultural economy?

MR. JOHNSON: I would think so, because the products we are competing with, the other protein products are to quite an extent agricultural products.

COMMISSIONER PLATT: If the price of eggs is up the price of fish will rise?



MR. SMITH: I can only say fish is competitive with all other kinds of protein foods and naturally if beef is very high we have a chance to get the price of fish up a little bit, at least, people will eat more fish which probably interests us more than getting the price up. In our business it is a matter of continually pushing, pushing, pushing and working to get more of our products on to the tables of the consumers of Canada. That is the relationship.

MR. CUNNINGHAM: I might add to that, Mr. Chairman, that when agricultural prices are down the fish business gets hooked in two directions: you get less for your fish meal and have to take less for your fish because agricultural products are more competitive. You do not benefit from the doughnuts or peanuts.

COMMISSIONER PLATT: For my information, this meal, can you store that for a considerable period of time relatively cheaply?

MR. CUNNINGHAM: Well, you can store it for almost any period of time as long as it is in proper storage.

COMMISSIONER PLATT: Does it require refrigeration?

MR. CUNNINGHAM: No, dry storage, well ventilated.

COMMISSIONER PLATT: It would be at least theoretically possible to ship all your fish meal to the Canadian market by boat if that were found to be



cheaper?

MR. CUNNINGHAM: It could all be shipped in the summertime and distributed throughout the year.

COMMISSIONER BALCH: Is that shipped frozen or fresh?

MR. CUNNINGHAM: Fish meal is in meal form, it is in bags.

COMMISSIONER BALCH: I was thinking of other fish.

MR. JOHNSON: Mostly frozen although some fresh fish is shipped, but that goes mostly by express and not by freight.

THE ACTING CHAIRMAN: To what extent is air cargo a feature?

MR. JOHNSON: Very little. There is a bit of fish moved out by air cargo, but mostly that is for clubs and hotels.

THE ACTING CHAIRMAN: Well, in the economics of it are you featuring air cargo in the future?

MR. JOHNSON: Well, I would not think there is too much prospect of movement by air except with specialty items such as salmon or perhaps lobster that can carry a fairly high transportation rate without being felt. I do not think we will ship much cod or haddock by air.

COMMISSIONER MANN: Just continuing what has been said, would you have any idea what your ton mile rate is on fresh fish to, say, Toronto or Winnipeg?



MR. JOHNSON: The ton mile rate?

COMMISSIONER MANN: Rate per ton mile rail.

MR. JOHNSON: I could not give you that without doing some arithmetic.

COMMISSIONER MANN: We can probably figure it out.

THE ACTING CHAIRMAN: Mr. Cooper?

MR. COOPER: You mentioned the Fisheries Council of Canada in the first part of your submission, would you tell the Commission the position of that?

MR. JOHNSON: The Fisheries Council of Canada is an organization made up of a number of regional associations all across Canada. There are 17 regional associations such as Nova Scotia Fish Packers Association and they comprise a membership of the Fisheries Council of Canada.

MR. COOPER: Does the Fisheries Council of Canada also take in by-product associations such as the Atlantic Fisheries By-products Association?

MR. JOHNSON: Yes, it does. We have three sister associations in Nova Scotia, the Atlantic Fisheries By-products Association, the Canadian Atlantic Salt Fish Exporters Association and the Nova Scotia Fish Packers Association.

MR. COOPER: They are all affiliated with the Fisheries Council of Canada?

MR. JOHNSON: Yes.

MR. COOPER: Has the Fisheries Council of



Canada any connection with any Department of Government?

MR. JOHNSON: None whatever.

MR. COOPER: It is a purely voluntary association of those engaged in the fishing industry?

MR. JOHNSON: Yes.

MR. COOPER: I do not know that it is clear on the record what Mr. Cunningham's position is. He is an officer of the Nova Scotia Fish Packers Association?

MR. JOHNSON: It possibly is a little complex but Mr. Cunningham is a past president of the Atlantic Fisheries By-products Association.

MR. COOPER: And the manager of the National By-products Association.

MR. JOHNSON: The manager of the National Sea Products and they in turn are members of our association.

MR. COOPER: Mr. Cunningham has been in the by-products business for 25 years?

MR. JOHNSON: He is also chairman - -

MR. CUNNINGHAM: Over 26 years.

MR. JOHNSON: He is also chairman of our transportation committee in the Atlantic Fisheries By-products.

MR. COOPER: I think you said Mr. Smith is vice-president of National Sea Products Limited?

MR. JOHNSON: Yes, assistant general manager and vice-president.

MR. COOPER: And has also been engaged in



the fishing business for upwards of 25 years?

MR. JOHNSON: Yes.

THE ACTING CHAIRMAN: Mr. Boyd?

MR. BOYD: I have three questions. On page 4 of the brief you refer in the last paragraph to:

"Depending as we now do to such a large extent on the important and valuable United States market - -"

I was wondering if you were able to give the Commission the percentage of your total product that is marketed in the United States.

MR. JOHNSON: As far as Nova Scotia is concerned I can give you the approximate figure.

MR. SMITH: Approximately 55 per cent.

MR. COOPER: Mr. Boyd, is that fairly constant?

MR. SMITH: There are variations, but I think you can consider it pretty constant.

MR. JOHNSON: This year the figure is down because on the overall exports to the United States are down.

THE ACTING CHAIRMAN: That does not go by water?

MR. JOHNSON: No, by motor truck but some by water.

MR. BOYD: So your trouble in marketing in the United States is a combination of the discount on the United States dollar and truck costs, nothing



to do with rail costs, I expect?

MR. JOHNSON: Yes, and our competition, of course, in an international market, Norway, Denmark, West Germany and so on.

THE ACTING CHAIRMAN: Have you found that truck costs follow rail costs?

MR. SMITH: Yes, there is a relationship. Truck costs are usually a little lower than rail costs.

THE ACTING CHAIRMAN: As rail goes up truck goes up?

MR. SMITH: There is that tendency.

MR. BOYD: On page 4 you mention the mileage from Halifax to Toronto as 1,104 miles. On page 6 you give the Halifax-Toronto rate of \$1.73 per hundred pounds. I presume that works out at 1.7 cents per pound for carrying your fish 1,104 miles?

MR. JOHNSON: Yes.

MR. BOYD: And the portion of the retail price at Toronto includes only 1.7 cents as a transportation cost.

MR. JOHNSON: That is quite true. Now, what would be in the way of handling costs in Toronto I do not know because usually we sell f.o.b. Halifax.

MR. BOYD: On pages 6 and 8 you refer to your prices over the years. I was wondering whether you could give the Commission your total sales volume between 1948 compared with 1958.

MR. JOHNSON: I have no earlier figure, but



I have a recent figure within the past year of the Nova Scotia members of the Fish Packers Association. Sales were in the vicinity of \$10 million.

MR. BOYD: That is a recent year?

MR. JOHNSON: Yes.

MR. BOYD: What about ten years ago?

MR. JOHNSON: I have no such figure from the Association.

MR. WRIGHT: Mr. Johnson, have your sales in central Canada of frozen fish been increasing or decreasing over the past few years.

MR. JOHNSON: Per capita-wise they are remaining pretty constant; tonnage-wise they are increasing largely by virtue of increased population.

MR. WRIGHT: But your sales have been increasing?

MR. JOHNSON: That is true, because of increased population.

MR. WRIGHT: Now, as you mention on page 6 of your brief you pay \$1.31 to have 100 pounds of fish in the container carried 1,104 miles to Toronto.

MR. JOHNSON: \$1.73.

MR. WRIGHT: But the railways still have to carry the container and the ice?

MR. JOHNSON: Yes, part of that is the charge for the re-icing and the cost of the ice and salt.

MR. WRIGHT: Yes, and you work that down to \$1.73 per 100 pounds for the actual fish?



MR. JOHNSON: Yes.

MR. WRIGHT: Now, that is a small percentage, is it not, of the selling price of the fish in the Quebec and Ontario markets?

MR. JOHNSON: I do not know what the selling price is. We sell on an f.o.b. basis, sell wholesale. Then, as we have stated, that represents at the present time 7 per cent of the selling price of frozen cod filleted.

MR. WRIGHT: 7 per cent of the retail --?

MR. JOHNSON: F.o.b. selling price in Halifax.

MR. WRIGHT: F.o.b. selling price?

MR. JOHNSON: Yes.

MR. WRIGHT: It would be a much smaller percentage of the retail price in Ontario and Quebec.

MR. JOHNSON: It would be less by the degree that the retail price is higher.

MR. WRIGHT: So that in so far as your prices concerned f.o.b. Halifax is 7 per cent of the price?

MR. JOHNSON: That is wright. The \$1.73 represents 7 per cent of the selling price of frozen cod fillets f.o.b. Halifax.



MR. WRIGHT: And your ability to market this fish depends, of course, on your selling price, to some extent?

MR. JOHNSON: It is a factor.

MR. WRIGHT: And in addition to this factor, which is 7 per cent, are there other major costs which are of even greater importance than freight? Is that not so?

MR. JOHNSON: What specifically do you mean? I don't know....

MR. WRIGHT: You have your labour costs, have you not? They are a factor in determining the price at which you can sell?

MR. JOHNSON: Perhaps Mr. Smith would....

MR. SMITH: If I can be of help, I took off some figures yesterday and I find that transportation costs have increased from 4 per cent to 7 per cent; in that same period the labour cost has gone up 60 per cent and the price of raw material has gone up, depending on the variety, but on the two chief ones, from 15 to 40 per cent; so the cost of transportation has increased at a much higher ratio than the cost of labour or raw material.

MR. WRIGHT: I understand that, but all I am wishing to ask is this: The freight charges are but a small percentage of your total costs, and your ability to compete in the Ontario and Quebec market depends also on your ability to keep those other costs down, does it not?



MR. JOHNSON: I wouldn't agree that 7 per cent is small.

MR. WRIGHT: Well, whatever it is it is 7 per cent.

MR. JOHNSON: Yes; and, of course, all these factors enter into the picture of costs.

MR. WRIGHT: They do enter into the picture.

MR. JOHNSON: Yes.

MR. WRIGHT: You have labour costs and plant costs and, I suppose, the cost of the fish.

MR. JOHNSON: Material.

MR. WRIGHT: All those factors have a bearing on the cost of producing the product which you sell?

MR. JOHNSON: But as Mr. Smith pointed out, they have increased at a much smaller rate than is represented....

MR. WRIGHT: Yes. I am not debating with you the rate increase in these other things.

Thank you.

THE ACTING CHAIRMAN: When you use the 7 per cent that is what you get for your fish?

MR. JOHNSON: Ex-plant, Halifax, Mr. Chairman.

THE ACTING CHAIRMAN: Yes; and so far as the consumer is concerned, increased freight rates to the retailer means that those increased costs are carried to him?

MR. JOHNSON: Yes; he has to take the laid



down terms.

THE ACTING CHAIRMAN: And when you get back to the man who buys the fish in Toronto, Winnipeg, or Regina, freight rates become a problem for him, too.

MR. JOHNSON: Yes; and there are mark-ups on freight rates.

THE ACTING CHAIRMAN: Yes; so that the inflationary element enters into it?

MR. JOHNSON: Yes.

THE ACTING CHAIRMAN: Thank you very much, Mr. Johnson.

MR. CUNNINGHAM: If it would be helpful, Mr. Chairman, I can give a definite figure on the percentage of freight on the landing cost of fish meal in Toronto; it is 12.01 per cent.

THE ACTING CHAIRMAN: Thank you very much.

I think we will now take a recess, but it will be very short because we have a lot of work to do this morning.

--- A short recess.

THE ACTING CHAIRMAN: All right, will you come to order, please.

We now have Mr. Loomer of Avon Valley Greenhouses Limited.



SUBMISSION OF
AVON VALLEY GREENHOUSES LTD.

APPEARANCES:

Mr. Ralph Loomer

MR. COOPER: The submission of Avon Valley Greenhouses Limited will be exhibit 33.

--- EXHIBIT NO. 33: Brief of the Avon Valley Greenhouses Ltd.

THE ACTING CHAIRMAN: Very well, Mr. Loomer, proceed.

MR. LOOMER: We appreciate this opportunity to outline some of the transportation problems that hamper our business. We hope the commission may recommend some remedies that will be fair to all concerned and acceptable to governments. We are certain many other businesses in our section of the Atlantic Provinces suffer from the same disadvantages in haulage of supplies and sales shipments.

Our business was established twenty-five years ago and is a producer of cut flowers and flowering plants of a very perishable nature. This business has grown from an operation of twenty thousand square feet under glass to some one hundred and fifty thousand square feet. This volume was built up through good express service, that we had out of Windsor until recently. We had three connections to Halifax daily, one overnight



to Cape Breton and other points east, two services daily to the Valley and Yarmouth and daily to St. John and west. Shipments to Montreal this route took about twenty hours.

Nova Scotia summers are more favorable for growing good quality products than the central parts of the continent. This means that we should compete successfully in Montreal and other central Canadian markets in these months.

Until the last few years practically all our distribution was either express or by air. This represents considerable volume mostly at first class rates. Our total output is approximately 20,000 cartons of cut flowers of 15 lbs., each and 2,500 cartons of potted plants weighing about 50 lbs. Potted plants take second class rate.

In addition to the outgoing shipments we have considerable incoming traffic and shipments between our plants at Falmouth and Moncton, N.B.

The last few years has seen very drastic reductions of the express service available to us from Windsor. Stage by stage the rail express has been taken from the Digby to Halifax run and trucks substituted. There is now just the one service daily, at night, requiring packing in the afternoon to be delivered quite late in the forenoon of the next day in Halifax, or the Digby boat late afternoon. For such short distances this is a long time in transit. It is now necessary to



pack goods the afternoon previous to be delivered to the boat at Digby the following afternoon and in turn delivered to the Montreal market the next morning. Instead of a half day and one night, it is two nights and one full day, or practically twice as long in transit.

In the colder seasons of the year this is endurable. However, the season when the production for the Montreal market is practical is the summer. At these times our cooler temperatures result in a generally better quality product. Montreal is a very competitive market both quality wise and price wise. It is therefore necessary in order to work this market to have both efficient and economical transportation.

The present express rates from Windsor, \$4.30 per hundred pounds, is reasonable providing the service could be faster.

Express service from Windsor to Truro and Sydney has been disturbed but has been restored for the time being to its original schedule. It is still precarious. We believe that changes similar to those that have occurred on the main D.A.R., line are pending on the Truro run. If this is done it will be another serious blow to our ability to give service to customers concerned.

This year there was a change over from the C.N., terminal in Truro to the D.A.R.'s own quarters some distance from that terminal. We were given less than six hours notice that there would no longer be a transfer



in the evening from the Midland train arriving in Truro from Windsor to the Sydney train. There are several hours between their arrival and departure. This happened just before our Mother's day week, a time of very heavy shipping. For a few days we were forced to make truck deliveries to C.N. Express, Halifax. We were able to prevail on the express company to have them continue the transfer until after Mother's day. Then it was discontinued again, but with some persuasion this transfer service has been restored.

We have met our difficulties quite successfully as far as the Halifax and connections to air - cargo at Halifax are concerned, by putting our trucks into Halifax on a regular schedule three times a week. However, for the smaller centers such a method would be extremely uneconomical and less satisfactory than a dependable prompt express service.

We have found the express connections to air-cargo, that is, on the days our truck does go in, and other connections out of Halifax unsatisfactory. On one occasion we delivered a shipment to express in Windsor Monday afternoon. It reached the airport at the same time as our regular truck run Wednesday morning. Sometimes connection is missed between C.P. Express and C.N. Express for South Shore, even though schedules allow approximately eight hours.

Another cause of serious loss is rough handling and lack of frost protection in transit.



Damage and frost loss claims are unpleasant processes and can not compensate even half the trading loss to customers. It represents an economic loss much greater than the invoice value.

We have observed some transfer points where employees have done the best they could but lacked protective equipment enough for all the perishables. C.N. Express at Truro was one such group of employees. They have done excellent work with inadequate facilities.

The roughest route our shipments suffer is through Digby and St. John. Just within the past week we have a complaint from our one remaining regular customer in St. John from this cause.

We appreciate the difficulties of the express companies in maintaining regular dependable service in the face of more or less unregulated and less dependable trucking express operators. It seems to us that the express traffic could be handled more efficiently, more promptly and in a more dependable way if the express companies were given exclusive rights to this class of transport under careful government regulation. Our reasoning in this connection is that we believe it would be a more serious blow to this class of transportation to be deprived of the railway express services, whether they handled them by trucks or by railway than it would be if the numerous trucking services were discontinued.

If Railway express had all the volume of



express traffic they should be able to provide adequate facilities, better services, and economy of rates.

Numerous trucking operators each with small volume may mean dividing available volume to the point that it is unprofitable for carriers and poor service to shippers.

While it is somewhat different nature than letter transport, there is some similarity. Our present postal services are possible because the Post Offices have exclusive right to carry letters. The same principle might be used in the handling of express shipments.

Freight Services: In freight service we are less fortunate than most other parts of the province and of Canada. The principal commodity we are concerned with is coal. Between the two plants, one at Falmouth, N.S., and the other at Moncton, N.B. we use upwards to one hundred cars of coal a year. Most of this comes from Cape Breton. The Moncton plant uses a percentage of coal from the mines at Minto, N.B.

The particular disadvantage of our Falmouth plant is the fact that this coal must be hauled over two railway lines. Two line rates of freight makes the transportation cost high. Even greater distances over the one C.N., line get substantially lower rates. This is borne out by the fact that the freight on coal from Sydney to Windsor is \$3.41½ whereas the freight from Sydney to Bridgewater on the C.N., 89 miles farther is \$3.21½, or take Springhill Junction about the



same distance as Windsor at \$2.91 $\frac{1}{2}$. Even to Middleton, where the C.N., runs into the same community as served by the C.P.R., the rate is lower than to Windsor. It appears that the C.N., did not give a special rate to Middleton. Rather the D.A.R., rate from Sydney to Middleton in this case meets the regular C.N.R., fare by way of Bridgewater.

We would also like to note that the freight on coal from Sydney to Montreal, a distance of 1006 miles is \$4.59, whereas the freight from Sydney to Windsor a distance of 287 miles is \$3.41 $\frac{1}{2}$.

We are not complaining about Montreal getting the lower rate we are complaining about our rate being so much higher.

The rate per ton mile to Montreal is very much less than the rate to Windsor. Deducted from the Montreal rate is a subvention on coal of 55% because of the competition of American coal and other fuels. The result is that N.S. coal is cheaper to Quebec growers than it is to us and their market is at their door.

We would like to continue to burn Nova Scotia coal if we can do so economically and meet competition from other areas that are buying cheaper fuel. Some other plants in the same line of production as ourselves in Nova Scotia are being forced to change over to oil. Unless coal is made more competitive for us we will also be using oil delivered by truck. Steam from coal is costing us 88 cents per 1000 pounds. The estimate of cost from oil is 70 cents based on todays prices.



It is on the basis of the engineering price and it doesn't take into account the firemen's costs and certain other overheads on our plan, which we presume would be the same in either case. No allowance for boiler equipment depreciation or maintenance has been taken into account in either cost.

We also point out that there is a dock in Windsor which can handle ocean going freighters. It should be possible to import American coal by water to land in our bunkers at a saving over our Nova Scotia product. On account of this it should be possible to establish water competition on coal to the port of Windsor. This would be to our advantage as can be seen by comparing the rates on coal from Sydney to Halifax with that which we now pay to Windsor. The Halifax rate is \$2.36½ to Windsor \$3.41½. Import by water would require joint purchase by several users in the Windsor area.

Another handicap for coal is lack of protection from weather in transit. In the old days of hand firing this was not so serious, unless the water was weighed as part of the price of the coal.

We frequently get coal too wet to work in the automatic stokers. It appears frequently to be too long in transit increasing the risk of getting wet. It is often costly to handle in winter because it gets wet and freezes solidly to the car. It would be desirable to have the cars provided with proper covers. This would also prevent loss of slack coal by blowing away when dry. It is weighed at the shipping point and



it would be our loss.

Another angle that might have a bearing is that the line from Windsor Junction to Windsor is owned by the C.N.R. It is under lease to the C.P.R., that has run some 98 years. If the lease expires next year the new lease should give the C.N., running rights at least to Windsor. It might be possible that the C.N. would repossess the line and give C.P. running rights similar to what they have from Windsor Junction to Halifax.

We hope you will find some merit in some of these suggestions and that your report will be followed by appropriate action by governments and others concerned.

Avon Valley Greenhouses Ltd.

Thank you, sir.

THE ACTING CHAIRMAN: Mr. Loomer, how far is Falmouth from Windsor, how many miles?

MR. LOOMER: About - the siding is about one mile.

THE ACTING CHAIRMAN: And from Halifax?

MR. LOOMER: I am not sure of the rail mileage; about 45 miles.

THE ACTING CHAIRMAN: Generally speaking, on page 3, you don't feel that you can depend on the trucking express operators?

MR. LOOMER: That is right.

THE ACTING CHAIRMAN: Why?



MR. LOOMER: Perhaps lack of organization; perhaps too many of them chasing the same amount of traffic. Sir, I am not speaking of full truckloads, I am speaking of small shipments and I think it would be, sir, incidentally a very interesting experiment and without the express company being aware of what was being done, to make some test shipments on small items from Halifax to Windsor.

THE ACTING CHAIRMAN: Then, in relation to the freight services - which is one plan we have heard of before - the two lines increased the cost?

MR. LOOMER: Yes.

THE ACTING CHAIRMAN: There are two lines?

MR. LOOMER: Yes, it does go on two lines.

MR. ANSCOMB: Mr. Loomer, as I read this you are representing your own company. Are there many other companies competing with you or other people in private enterprise in this particular business in this area, or have you the thing in your own hands?

MR. LOOMER: No sir,, we haven't the thing in our own hands; we have competition, but very very little in our particular area.



COMMISSIONER ANSCOMB: I wonder if I could elucidate my own question by saying, "Well, if that is so, why don't you yourselves get together and test out the argument that you present on page 3 on having the express companies do it all?" Talk to them and make a deal and see how it works.

MR. LOOMER: Our - -

COMMISSIONER ANSCOMB: And your competitors in this area. Is there any reason you could not go together so far as this is concerned?

MR. LOOMER: I think I pointed out that we had done ~~that~~. For 25 years they did handle practically all our traffic and we discontinued it very reluctantly because we could not get the service that would be fast enough.

COMMISSIONER ANSCOMB: Perhaps I am not reading your brief correctly, I read it that you are suggesting that the express people should be given the business the same as the Post Office like a monopoly because you say you have tried it and it does not work and if you have tried it what is the use of trying it again?

MR. LOOMER: Except what I suggest, not just the little bit from our firm, I at least take a broader view than that of the problem. What I am suggesting is that all that class of traffic that the express company or preferably the nationalized express company should have all that traffic and be able to



manage it on the basis of service to the whole economy.

COMMISSIONER ANSCOMB: Have you any views on the future from the air express viewpoint. Your type of product is so perishable, could it not be air express exclusively? I say that because in British Columbia they have aeroplanes with nothing else but cut flowers that go into the central Canadian market when the flowers are ready.

MR. LOOMER: Yes, we are very much aware of that possibility but our province as compared with the bulk of the shipment from British Columbia which are bulb stock, the bulk and weight of the bulb stock is very much heavier per cubic foot than chrysanthemums or carnations, particularly chrysanthemums. For instance, on a volume weight carton of daffodils coming from Vancouver to Halifax the volume weight of 36 pounds would be actual weight; our shipment 36 pounds the actual weight would be about 15 pounds. Consequently to ship from Halifax to Montreal it is very much more desirable providing we can get the overnight express service instead of two nights and a day to ship express. We are working on that I know, incidentally, to see if we cannot occupy some of the surplus cargo places that T.C.A. has between Halifax and Montreal almost all the time on a direct weight basis rather than volume weight. That still is pending with them in which case the rate would be \$5.05 per hundred weight from Halifax requiring truck delivery to Halifax as compared with the express rate of \$4.30.



COMMISSIONER MANN: You said that you had three connections daily out of Windsor by rail. The fact that that rail express service is replaced with trucks, is that due to the introduction of the rail diesel car, the day liner on the Dominion Atlantic Railway?

MR. LOOMER: Yes, it is. The day liner handles only passengers with hand baggage, the express service is given over mostly to Smith Transport. I think occasionally they do take a little express in the baggage car on the fast freight into Halifax. I am not quite sure of what can be done in that respect, but it makes no real difference because it is the same time and means that we must deliver in the afternoon to be able to deliver sometime on towards noon the next morning in Halifax. Our own truck we pack the goods before 8 o'clock, the truck leaves our plant at 8 o'clock and is back home after making the deliveries by noon.

COMMISSIONER MANN: I take it you have only one Smith Transport truck coming through per day, does it run on a schedule.

MR. LOOMER: Allegedly on schedule.

THE ACTING CHAIRMAN: I would suppose that the Smith Transport would be included in your less dependable truck express?

MR. LOOMER: Not necessarily so, sir, in as much as it is a truck being used by the express companies. Also it is more dependable than the hit or miss sort of trucking express service that is available to us. They



will certainly arrive for a full truckload but to pick up a parcel, they get it when they choose to.

COMMISSIONER MANN: If you will permit me one more question: you have presented us with rather a challenging idea, namely that all express shipments should be handed over to the railways and should not be carried by truck. I wonder, does this mean that trucks should not carry any less carload merchandise? Does that follow from your suggestion or do you restrict it to certain classes of traffic only.

MR. LOOMER: I would restrict it to the class of traffic that necessarily because of its nature or urgency must have within the day service.

COMMISSIONER MANN: First and second class merchandise in the express classification?

MR. LOOMER: Yes, or perishables and that sort of thing and the sort of thing that a garage in Windsor is ordering a part from Halifax and he should be able to express it if he orders in the morning and he should be able to expect it that day instead of holding our vehicles up for perhaps two or three days while the express decide to pick it up. Usually they come in and get it.

MR. COOPER: What complaints, if any, have you made to the railways about rates? At the moment I am referring particularly to the second last page of your statement as to rates on coal.

MR. LOOMER: I am not sure whether we have



made exactly formal and written submissions to the railways, but we have been in quite constant touch with their officials and representatives who call on us from time to time. We have called attention to the discrepancy between the Canadian National rate and our rate on many occasions.

MR. COOPER: The problem there fundamentally is that of an interline rate?

MR. LOOMER: Yes, and I wanted to find the record, but it was too far back of a shipment of pure bred cattle that were brought from New York at one time under our insurance coverage incidentally. I have forgotten the figures, but the rate from New York to Truro was less than double the rate from Truro to Windsor. As I recall it it was close to \$200.00 for six head of cattle from Truro to Windsor, and I think it was something like \$300.00 from New York to Truro. When we protested it they said, "Look at the risk we were taking if one of those cattle should have died".

MR. COOPER: That is all, thank you.

MR. BOYD: No questions, sir.

MR. WRIGHT: Mr. Loomer I am at a bit of a disadvantage because I only received your brief before you took the stand, so there are not many questions I would like to ask you. Would you tell me this: have you ever gone to the express company officials of the D.A.R. to discuss your problems?

MR. LOOMER: Oh my, yes, we have had the



Superintendent in our office, I was going to say by the day.

MR. WRIGHT: And has he endeavoured to explain to you why in the interest of economy and efficiency it has been necessary to put on this day liner.

MR. LOOMER: Oh yes, I can understand that quite well. He explained that the company has to make a profit, that it cannot give service at a loss.

MR. WRIGHT: Thank you very much.

MR. LOOMER: Unlike the C.N.

MR. DICKEY: Just one or two questions, Mr. Loomer. When did this day liner service start and its effect on the express service take place, do you remember?

MR. LOOMER: About two years ago, I think.

MR. DICKEY: Certainly within two years.

MR. LOOMER: It is fairly recently.

MR. DICKEY: And prior to that time all of your packaged cut flowers, that sort of thing was going by express?

MR. LOOMER: Oh yes, unless it was the ones we delivered locally. Sometimes a little traffic was going by bus, but that is unsatisfactory and there is no guarantee connected with the delivery.

MR. DICKEY: As I understand your brief is in two sections, the first section dealing with your flower deliveries and that sort of thing relates to express service rather than freight service?



MR. LOOMER: That is right.

MR. DICKEY: And the second section is what relates to freight service?

MR. LOOMER: That is right and our dilemma in that we are being reluctantly forced out of using Nova Scotia coal.

MR. DICKEY: And do you understand by express service that it is a service for which a premium is paid for special services and quick delivery?

MR. LOOMER: That is right.

THE ACTING CHAIRMAN: Thank you very much.

The next submission is that of H. Loomer Greenhouses Limited.

MR. COOPER: This submission will be Exhibit 34.

--- EXHIBIT NO. 34: Submission of H. Loomer Greenhouses Limited.



SUBMISSION OF
H. LOOMER GREENHOUSES LIMITED

APPEARANCES:

Mr. Ralph Loomer

THE ACTING CHAIRMAN: Mr. Loomer, will you read your brief?

MR. LOOMER: We would like to advise you of some of our problems in transportation, also some of our views on the subject.

We ship cucumbers and tomatoes principally to Maritime markets from our plants at Kingston and Falmouth. Volume is over 150 tons.

There have been serious curtailments and delays in express service since the introduction of the Rail-liners,

Express from Kingston to Sydney that formerly left Kingston in the afternoon, arriving in Sydney early next morning, now takes an additional day. Express going from Falmouth to Sydney at present is being transferred to the evening train at Truro, but the separate station requires extra handling by truck, resulting in considerable damage to goods shipped. We had a temporary discontinuance without notice of this evening transfer, making it necessary for us to truck to Truro ourselves.

It is not mentioned in the brief but that was corrected shortly after that.



We do not believe sufficient protection from frost is provided in this transfer.

Service to St. John is by truck to Digby leaving Windsor at 6 a.m. and Kingston two or three hours later.

Service to Halifax is by local truck line and is fairly good. It does seem to us that with all the improvement in roads, equipment, etc., that with proper regulations and planning, there should be faster, better and more reliable public express service.

Large shipments are not much problem but the small shipments are picked up and delivered if and when it suits the carrier.

Re-Freight:- Our main item is coal from Halifax and Sydney. We use about 40 cars annually. Freight rates are quite a factor in making the price of coal prohibitive along with delay on the road. Often a week in open cars in wet weather makes fuel unfit for use in automatic stokers. The fact that we in this area have to ship over lines with dual charges for many parts of the Maritimes, makes this area unsuitable for industrial expansion.

To sum up, in our industry we need a fast, responsible scheduled express service. We think we are entitled to faster car lot freight service with rates based on mileage, not on the number of lines over which it is hauled.

It is our belief that we could and should



have a system of express transportation available to us so that if items were delivered to the carrier in Halifax in the morning, we could expect delivery the same day. Under present conditions it is necessary for us to provide our own express service. Existing service is on an if and when basis. We are really getting freight service at express rates.

H. Loomer Greenhouses Ltd.

THE ACTING CHAIRMAN: Now, I take it that generally you are in agreement with the previous witness?

MR. LOOMER: Yes.

THE ACTING CHAIRMAN: And you suggest there that with all the improvement on the roads - well, the very fact all roads are important new roads still provide a difficulty for the railway, do they not?

MR. LOOMER: That is true.

COMMISSIONER MANN: On page 1 of your brief you speak of:

"Express going from Falmouth to Sydney at present is being transferred to the evening train at Truro, but the separate station requires extra handling by truck, resulting in considerable damage to goods shipped".

Is that a new development, this separate station?

MR. LOOMER: Yes, it is.

COMMISSIONER MANN: Before that what



happened?

MR. LOOMER: It was transferred right from the railway car into the - that is the D.A.R. into the C.N.R. car at Truro.

COMMISSIONER MANN: At the C.N. facilities?

MR. LOOMER: Yes.

COMMISSIONER MANN: And the D.A.R. has now built its own facilities requiring truck transport?

MR. LOOMER: Yes.

MR. COOPER: How far is the D.A.R. station at Truro from the C.N.R. station?

MR. LOOMER: According to the D.A.R. agent about two miles.

MR. COOPER: What is the position -?

MR. LOOMER: According to my measure it is about half a mile.

MR. COOPER: What is your position with H. Loomer Greenhouses Limited, are you president?

MR. LOOMER: Yes, and manager.

MR. COOPER: President and manager?

MR. LOOMER: Yes.

MR. COOPER: In fact you operate the whole business of H. Loomer Greenhouses and the work of the company is done under your direction?

MR. LOOMER: That is right.

THE ACTING CHAIRMAN: I would judge you are also interested in harness racing.

MR. LOOMER: Not particularly.



THE ACTING CHAIRMAN: I thought you referred to pacers there.

MR. BOYD: I have no questions.

MR. WRIGHT: I have no questions.

MR. DICKEY: No questions.

THE ACTING CHAIRMAN: I think probably that in the matter of C.N. - C.P. consideration we might give some thought to why a Union Station was abolished at Truro. It seems that there is one place where duplication could be avoided. Thank you Mr. Loomer.



SUBMISSION OF
THE NEW INDUSTRIES COMMITTEE OF
THE CITY OF SYDNEY COUNCIL

APPEARANCES:

Mr. M. Whalley

MR. COOPER: The submission of the New Industries Committee of Sydney City Council will be Exhibit number 35.

--- EXHIBIT NO. 35: Submission of The New Industries Committee of The City of Sydney Council.

MR. WHALLEY: Mr. Chairman, the Council has asked me before I read this submission to explain that the reason why this submission has been coached in such general terms is that they feel that any statistical information in connection with their submission could best be submitted and will be submitted by the Dominion Steel and Coal Corporation at the Ottawa hearing of the Commission.

Mr. Chairman and Members of The Royal Commission on Transportation, the New Industries Committee of the City of Sydney Council begs leave to present the following brief:

The New Industries Committee was set up by our City Council to attempt to promote industrial development of all types in our area in a concentrated effort to up-grade our economy.



No doubt, by this time you have heard many presentations of a somewhat similar character, requesting changes in the present structure of freight rates as applied to the Atlantic Provinces. Many of these were made by persons now producing goods in this area, advising that these transportation costs were driving their businesses closer and closer to an impossible competitive position with the producers in other parts of Canada and of the world.

I believe you will agree, Mr. Chairman, that of all the industrial development in the Atlantic Provinces since Confederation, the Dominion Steel & Coal Corporation production facilities for steel and coal in Cape Breton form the largest single unit and, consequently, would normally be expected to be the focal point for satellite finished-product industries using the basic products of this industrial giant.

The Dosco Steel Plant was established in 1900 and a great future was predicted for it, including a cluster of other steel-using industries around it. These were to provide a diversification of production, give a more balanced nature to the economy of the area and provide outlets for coal in the steadily increasing markets right in the area for steel and power production.

At that time the Sydney Steel Plant was the largest in Canada. However, the picture has changed and now the Cape Breton operation is lagging behind. What has effected this change in things? Basically,



the type of steel production into which this company has been forced by transportation costs on their finished products moving to other parts of Canada. This has denied to our area the type of industrial development which could normally be expected and has effectively preserved the finished steel product field for the central Canadian producers.

At the present time, this company is actively pursuing a new policy involving establishment of flat rolled steel facilities in order to make them a fully integrated steel operation, from raw materials to finished product. This has been the missing link in the chain by which the industrial development of our area can be pulled out of the ruts into which it is fallen.

At the present time the national coal situation is the cause of great concern to our nation and province and we believe that part, at least, of this problem could be relieved if an expansion of steel-producing facilities was made in the area. Additional coal for steel making would be required and, as well, for power production for Dosco and other allied industries which would be attracted.

This industrial development for our area is being denied, Mr. Chairman and Gentlemen, because transportation costs on finished products make competition with other steel producers on these finished products impossible and for this reason they are presently considering adding another industry to the already



highly industrialized central Canadian market.

Mr. Chairman and Gentlemen, this is the only really large industry that is located in the Maritime area and it appears that it, too, may follow others which have "folded their tents like the Arabs" and silently been stolen away. If, as it has been stated by the Company President, Mr. Fairley, it is more profitable and economically feasible to establish flat rolled steel facilities in the Montreal area, leading to a fully integrated steel plant in that area in fifteen years, what of the future in the Sydney Steel Plant after fifteen years? Is it then to be a progressive transfer of Sydney facilities to the stated more profitable market area until this giant industry, too, has been removed to complete the denuding of our industrial scene?

It is immediate remedial action we are requesting to correct the difficult position of our existing basic industry and to encourage them and others to establish secondary industry in our area. We make this request, not as suppliants asking assistance from a beneficent central body, but as equal partners with the rest of the nation; and as a part of the development of our country in a systematic and logical way. When Canada pushed Westward, we in the East supported it as part of the enlargement of the national economy. Now, we feel that our area is being treated on a short-range regional basis, instead of as part of a national policy of development.



It has been reported that many of the presentations to your Commission have followed the traditional patterns of Maritime presentations over the years. The Atlantic Provinces area supposedly has been a problem like a poor relation to the Federal Government for years because their industrial development, and consequently their population, has been at a lower level than central Canada. I suggest to you, Mr. Chairman, that the solution to our difficulty lies in proper application of a national policy of equalization of freight rates which would allow development of all types of industry in the Atlantic Provinces.

Our Committee is primarily concerned with immediate and substantial decreases in freight rates to allow our main industry to continue to operate steadily in our City to maintain our economic stability, and to encourage them to establish their proposed new facilities there. We believe that if this is done we can also attract other secondary industries to establish in our community, which will thus make our area grow both in population and prosperity and, in a very real sense, we would be able to make an ever-increasing contribution to the national economy.

Our area at the present time is not one of the glamour areas of our nation. There are two types presently in vogue: the virgin, undeveloped frontier or bush areas which have cheap land and appeal to the pioneering instinct and to exploration groups; and the



highly developed central market which already has created an imbalance in our national economy. We are regarded as an area which has been tried and found wanting. We suggest to you, Mr. Chairman and Gentlemen, that we have never been really given a chance as a part of an active expanding nation, due to the ever-increasing crushing burden of freight rates.

We would also urge the establishment of proper harbour and port facilities in our area. Just recently, and for the first time in years, steel has been shipped by water from Sydney to the Montreal area. There are many new developments appearing on the transportation horizon which may make our request for a downward revision of freight rates something of a temporary request. Establishment of adequate harbour and port facilities would ensure that our area would be in a position to take advantage of new developments as they occurred.

A great contribution is waiting to be made and can be made by our people if they are given the opportunity by constructive thinking at the national level. In times of national emergency the country has looked to our industry, mines and men to carry a heavy load in the national war efforts. We have done it willingly. Now we have reached the crossroads in industrial activity and development. Whether we go up the road to success or down the road to deterioration will depend in a large measure on a constructive national development policy toward the Atlantic Provinces and its industry.



The City of Sydney and, indeed, the whole Atlantic area has a vital interest in this steel industry and we cannot impress on you too much the necessity for a drastic downward revision of railway freight rates to allow it to achieve its full potential.

All of which is respectfully submitted.

THE ACTING CHAIRMAN: Now, Mr. Whalley, who are the members of the New Industries Committee of Sydney City Council?

MR. WHALLEY: Mr. Chairman, that is a Committee of City Council comprised of five councillors. They may change from year to year, but the Committee is set up on a permanent basis. Five men are elected to the Committee each year.

THE ACTING CHAIRMAN: By the Council?

MR. WHALLEY: Yes, by the Council.

THE ACTING CHAIRMAN: Now, you suggest, also, an improvement in port facilities in Sydney. Now, if there is water traffic it will take away from the railway, will it not?

MR. WHALLEY: That is true.

THE ACTING CHAIRMAN: But it would be cheaper?

MR. WHALLEY: That is the hope of the Committee, that, with the new changes and new developments in water transportation, we understand that there is an active interest now in developing new methods of water transportation which, we hope, would make the ship-



ment of our bulk commodities such as steel and coal - -

THE ACTING CHAIRMAN: There is no regular service now?

MR. WHALLEY: There is during the shipping season from Sydney Harbour; there is transportation of coal, mainly. There was a shipment to Montreal this year on steel, which is the first for some time by water rather than by rail.

THE ACTING CHAIRMAN: And what percentage of coal produced is used by Dosco in its steel plant? Is it very small, or is it substantial?

MR. WHALLEY: I believe, in the Sydney operations of the steel plant, they use in the vicinity of 600,000 tons per year.

THE ACTING CHAIRMAN: And what would be the total production?

MR. WHALLEY: The total production is now in the vicinity of $4\frac{1}{2}$ million, I believe; I stand to be corrected on that.

THE ACTING CHAIRMAN: So that would be about 15 per cent?

MR. WHALLEY: In that vicinity.

COMMISSIONER MANN: Mr. Whalley, you referred to the impending production by Dosco of secondary steel facilities in the Montreal area. If and when these facilities are fully in operation what will Dosco ship out of Sydney to these facilities?

MR. WHALLEY: Mr. Mann, we just hope that



after it is built Dosco will be in a position to ship anything from Sydney.

COMMISSIONER MANN: Will it be mainly steel slabs?

MR. WHALLEY: That is what we assume would be the first thing; the fear, I believe, is that within 15 years there will be no steel operations in Sydney at all.

COMMISSIONER MANN: During the intervening 15 years, if steel slab is shipped, are slabs susceptible to water shipment, or would it be carried by rail?

MR. WHALLEY: By rail, unless the cost of water transportation can be reduced.

COMMISSIONER MANN: There is steel that went out of Sydney this summer - what kind was it? Was it bar, or nails?

MR. WHALLEY: I don't think it was nails. That is one of the points we make in our brief, that, as a result of the increased cost of transportation, the nail mill at Sydney is just producing now for the strictly local market. That is one of the finished products which we have lost over the last few years on account of transportation costs; we no longer produce any nails for export.

COMMISSIONER MANN: Do Dosco produce any nails at their plant in St. John?

MR. WHALLEY: I don't know.

THE ACTING CHAIRMAN: What is the employment



at Dosco now?

MR. WHALLEY: The present level of employment in the steel plant would be in the vicinity of 4,000 men.

THE ACTING CHAIRMAN: Mr. Platt?

COMMISSIONER PLATT: I am interested in water transportation and the improvement of harbour facilities. If it were possible to keep the St. Lawrence ice-free so that you had a longer shipping season would that benefit Sydney or would it not?

MR. WHALLEY: Sydney now is an 8-month port; and we have an ice-free port in the Straight of Canso area, and that is the area where the new pulp industry is being located, and we feel we could make a year-round port between Sydney and Mulgrave and ship the year-round by rail and water; and ship by rail to the Mulgrave area.

COMMISSIONER PLATT: I saw it yesterday and it is very interesting - Portknockie.

That is all, thank you.

THE ACTING CHAIRMAN: Mr. Cooper?

MR. COOPER: When was the New Industries Committee of Sydney Council established?

MR. WHALLEY: It was first established, Mr. Cooper, in the fall of 1957.



MR. COOPER: We had a submission the last day we sat from the Cape Breton Island Industrial Development Council; is there any connection between that Development Council and the New Industries Committee of Sydney?

MR. WHALLEY: As a result of the New Industries Committee of Sydney Council, they are directly responsible for the formation of the Cape Breton Development Council; that is one of their off-shoots.

MR. COOPER: So there is an affiliation between the two?

MR. WHALLEY: Yes. They feel as a result of the work the Council started, that it was needed for the whole island and they definitely did the majority of the work in the formation of the Industrial Council of Cape Breton.

MR. WRIGHT: Mr. Whalley, I suppose you would agree with me that the railways are very important to the Maritimes?

MR. WHALLEY: Very definitely.

MR. WRIGHT: And that being so, it is in the interest of the Maritimes that the railways be kept healthy and vigorous in every way, including financially?

MR. WHALLEY: We certainly do; particularly Cape Breton and their commodities.

MR. WRIGHT: Now, on page 4 of your brief in the last paragraph you say, "We can't impress on you too much the necessity for a drastic downward revision



of the railway freight rates."

Now, I expect you don't suggest that that downward revision should go below the cost to the railways of producing the service?

MR. WHALLEY: Well, we suggest it should go to a level where we could compete with the other steel producers in the country.

MR. WRIGHT: If it goes below the cost to the railways of producing the service, how are the railways to be kept healthy and vigorous and financially sound?

MR. WHALLEY: Well, the railway, I understand, has been operating at a deficit and is really a government controlled railway anyway, so they're having an added deficit as a result of decreasing their freight rates to the extent where we could economically compare with other steel industries, we feel it is just part of the necessary burdens which the government will have to assume.

MR. WRIGHT: What you say is that the rate should be such as will permit you to compete in other markets and that any deficit which the railways incur in helping you do that, should be added to the national debt?

MR. WHALLEY: Yes.

MR. WRIGHT: Now, on page 3 you say in the middle paragraph, "I suggest to you, Mr. Chairman, that the solution to our difficulty lies in proper application of a national policy of equalization of



freight rates which would allow development of all types of industry in the Atlantic provinces." Now, just what do you mean by this national policy of equalization of freight rates?

MR. WHALLEY: The Council feels there should be a national policy exactly what we were just talking about, that there would be a policy whereby freight rates from the Maritime provinces would allow industry in these provinces to compete with industries in the other parts of Canada, and if there is a deficit, well, that deficit must be borne by the federal government.

MR. WRIGHT: That would mean that other parts of Canada would be paying the deficit included here?

MR. WHALLEY: We pay part of it as well.

MR. WRIGHT: And would pay your part of it as well, yes. That is what you mean by national policy of equalization?

MR. WHALLEY: That is what I mean by national policy of equalization, yes. Our Council feels, and I think the people in our area feel, that certainly over the last 30 odd years, ever since the Maritime Freight Rates Act was enacted, that we understand that the total money paid under that is in the vicinity of \$180 million, which over 30 years comes down to an average of about \$6 million a year, and they feel that it is just merely a drop in the bucket.

MR. WRIGHT: Well, what you have in mind, then, is a policy of equalization through subsidization



under the Maritime Freight Rates Act?

MR. WHALLEY: Or some other Act, or a revision of that Act.

THE ACTING CHAIRMAN: The term "equalization" is more or less unfortunate; it should be a two edged sword.

MR. WHALLEY: I suppose it would be better.

THE ACTING CHAIRMAN: What you are really supporting is an unequal freight rate based on the economic needs of the country?

MR. WHALLEY: That is poorly phrased, equalization of freight rates. I think that is a poor phrase and it is not what we really mean. We mean that a national policy should be developed whereby we could compete equally with other producers in the other parts of Canada.

COMMISSIONER MANN: Mr. Whalley, in view of the special meaning of the word equalization in freight rate parlance, you would be surprised to know that you and Mr. Wright are probably in the same position with regard to your views on equalization?

MR. WHALLEY: Yes. Thank you, Mr. Chairman.

THE ACTING CHAIRMAN: The Boatbuilders Association ?

MR. COOPER: Mr. Chairman, the submission of the Boatbuilders Association will be Exhibit number 36.

--- EXHIBIT NO. 36: Submission of the Nova Scotia Boatbuilders Association.



SUBMISSION OF
NOVA SCOTIA BOATBUILDERS ASSOCIATION

APPEARANCES:

Mr. H. D. Robertson

MR. ROBERTSON: Gentlemen, this is a submission of the Nova Scotia Boatbuilders Association to the Royal Commission on Railway Transportation in Canada.

From the earlier days of settlement in Nova Scotia the fisheries have been one of the most important industries in the Province. For the prosecution of the fisheries boats and vessels of all types were necessary and from this need was born the boat and shipbuilding industry for which the Province was justly famous.

However, with the evolution of the fisheries their demand for wooden hulls became greatly lessened and the boatbuilding industry turned to service and pleasure craft in large degree. This industry is established in every part of the Province and currently seventy-four establishments are listed as engaged in it. Almost without exception these manufacturers are located in the smaller communities along the coast and make an important contribution to the local economy.

While many craft are marketed in the Maritime area and larger craft are delivered to their purchasers under their own power, the majority of small pleasure boats must be shipped by railroad to their market destination. As a result rail transportation charges have become an increasingly important factor to this in-



dustry.

Continued increases in freight rates have forced the removal of some boat manufacturers to locations closer to their markets, and have permitted the development of new manufacturers in those areas.

At the same time coastal shipping services to natural Nova Scotia markets, i.e., the Eastern Seaboard of the U.S.A., have been reduced to where for all practical purposes they are non-existent. So even to these areas we are dependent very largely on rail transportation.

By their nature boats have a rather high cubic volume in relation to their weight and thus only 3,000 to 6,000 pounds of weight can be put in a boxcar but the rate is based on a minimum of 10,000 pounds. Even as a flat car which is suitable for the transport of many types of boat, a type of car which is cheaper and lighter than a conventional boxcar, the rate remains the same but with a higher minimum load rating. As railway hauling costs are related to the weight involved, it would appear that a lower minimum rate should be granted to boat shipments in both types of cars.

The latest figures available, 1958, covering automobile freight traffic from Central Canada, the largest Canadian boat market, would indicate that 17,305 tons of automobiles were transported by the railroads to Nova Scotia. Return traffic shows a tonnage of 4,824. It would therefore appear that approximately two thousand automobile cars were left available for other commodities,



or to be returned empty to the Central Canadian area. This is the type of car best suited to the transport of boats and it would appear reasonable that when these cars are available they might be used for the transport of Nova Scotia boats at a rate below that currently charged, but well above the cost to the railroad of hauling them back empty, to markets in Quebec and Ontario.

As freight rates are such a large proportion of the delivered cost of a boat, any reduction in rates would permit a considerable increase in the volume of traffic westbound and at the same time would increase traffic to Nova Scotia as many components in boat manufacture must be obtained from Central Canada.

European competition at present enjoy an import freight rate to inland points on their products landed from ocean carriers. As an assistance to Nova Scotia producers, representation should be made to the ICC in the U.S.A. to have Canadian products landed at U.S. ports by the same means, enjoy the same preference. At the same time boats, not assembled, which can be loaded in quantities in excess of 20,000 pounds, and which are granted a lower rate in shipments of this weight over Canadian roads, should be given the same consideration over U.S. roads. Such a dispensation has been granted in one recent case - ICC docket 31,990, covering a rate to one specific point - Denison, Texas.

Thank you.

THE ACTING CHAIRMAN: Are you presenting



a brief on your own account or on account of the Association?

MR. ROBERTSON: On behalf of the Nova Scotia Boatbuilders Association.

THE ACTING CHAIRMAN: How many members are there?

MR. ROBERTSON: I am not sure the exact membership, but I would say it would represent about 75 per cent of the volume of production.

THE ACTING CHAIRMAN: Have you discussed with the railways the use of automobile cars going west?

MR. ROBERTSON: It has been discussed, but not in a formal manner.

THE ACTING CHAIRMAN: No serious discussion has taken place, I take it?

MR. ROBERTSON: I would say there have been serious discussions, but not on a formal basis. It has been discussed with the divisional freight agent's office.

THE ACTING CHAIRMAN: But it has gone no further?

MR. ROBERTSON: No, it has gone no further.

COMMISSIONER BALCH: Do you have freight rate data on cars coming in- -

MR. ROBERTSON: In fact, the majority of boats that are shipped must be shipped in automobile cars due to their wide side doors, so that the unloading facility - we take up a proportion of those cars but unfortunately our boat shipping season roughly corresponds



to the peak period of automobile shipments to this area.

COMMISSIONER MANN: Correct me if I am wrong, but I believe the figure on the current volume of automobiles was 4,000 tons?

MR. ROBERTSON: Yes.

COMMISSIONER MANN: Does that include import automobiles?

MR. ROBERTSON: I presume it would.

COMMISSIONER MANN: But many of these import automobiles, as you know, are the small European cars which are put on flat cars, so that actually it would appear if that is the case there would be some automobile car space going back?

MR. ROBERTSON: Yes. The figure I quoted there of 2,000, I think would be a conservative figure.

MR. COOPER: Mr. Robertson, on page 2 of the brief you mention the latest figures available for 1958 covering automobile freight traffic from central Canada?

MR. ROBERTSON: Yes.

MR. COOPER: What is the source of those figures?

MR. ROBERTSON: The Dominion Bureau of Statistics.

MR. COOPER: Any particular publication?

MR. ROBERTSON: Yes, their freight publication, "Railway Freight Traffic" which is produced by the Bureau.

MR. COOPER: Also on page 2 you state,



"As freight rates are such a large proportion of the delivered cost of a boat" - now, can you tell the Commission what the proportion actually is percentage-wise?

MR. ROBERTSON: Yes, it varies considerably depending on the size of the boat, but I would say on an average it would be fairly well in excess of 5 per cent, and then there are certain specialized craft of a size that might not permit of two being put in a car.

MR. COOPER: That is 5 per cent - -

MR. ROBERTSON: Of the f.o.b. cost.

MR. COOPER: How long has the Nova Scotia Boatbuilders Association been established?

MR. ROBERTSON: About two years.

MR. COOPER: You yourself, Mr. Robertson, are engaged in the boatbuilding industry with what company?

MR. ROBERTSON: Industrial Ship Company Limited.

MR. COOPER: What type of boat does your company build?

MR. ROBERTSON: Moulded plywood.

MR. COOPER: Your markets are where?

MR. ROBERTSON: Across Canada and principally the eastern and central United States.

MR. COOPER: How far across Canada do you ship?

MR. ROBERTSON: To Vancouver.

MR. COOPER: Has your volume increased in



the past two years, or decreased?

MR. ROBERTSON: No, it has decreased. The American market particularly has suffered a greater loss than the Canadian, due largely to the production facilities for this type of boat being established in the central United States area.

MR. COOPER: To what do you attribute such decrease, apart from the factor which you have just mentioned?

MR. ROBERTSON: Basically the markets which constitute a very large proportion and the transportation costs have been moved up.

THE ACTING CHAIRMAN: They certainly know how to make boats, don't they?

MR. ROBERTSON: We believe so.

THE ACTING CHAIRMAN: Thank you very much.

Now, we have Mr. Walsh, the Deputy Minister of Agriculture.



SUBMISSION BY
NOVA SCOTIA DEPARTMENT OF
AGRICULTURE AND MARKETING

APPEARANCES:

Dr. F. W. Walsh

MR. COOPER: Before Mr. Walsh makes his submission, Mr. Chairman, may I just keep the exhibit number straight by stating that the submission of the Nova Scotia Department of Agriculture and Marketing is exhibit number 37.

--- EXHIBIT NO. 37: Submission of Nova Scotia Department of Agriculture and Marketing.

MR. WALSH: My name is F. W. Walsh and I am the Deputy Minister of Agriculture. I do not intend to present a brief covering all the transportation items that affect agriculture. I have been asked to present a brief on one little policy, the policy of agricultural lime stone. I have with this some supporting documents which I think will tell more than my words can tell.

1. The agricultural soils of Nova Scotia are of an acid type and need, periodically, applications of agricultural limestone as a neutralizer. Applications of two to three tons per acre should be applied to most soils once in every four or five years.

2. The total annual requirement has been estimated to be in the vicinity of 150,000 tons. However, from practical experience, it is not expected that this



figure will be reached soon and 80,000 tons is the present annual quota which has been established.

3. The bulk of the agricultural limestone used is produced at Upper Musquodoboit, on the Canadian National Railways, and mainly railed to station destinations.

4. The Federal Department of Agriculture and the Nova Scotia Department of Agriculture and Marketing co-operate in heavily subsidizing the transportation costs to a point where the ground limestone is landed in bulk at the farmer's nearest rail station at a price to him of \$2.50 per ton. This is 25 cents a ton below the cost of the product loaded on cars at Upper Musquodoboit - therefore, all rail transportation costs are subsidized.

5. The total yearly cost to each Department of Agriculture is approximately \$90,000, which, on the basis of an average movement of around 60,000 tons, represents a total subsidy of \$3.00 per ton or \$1.50 to each of the co-operating assistance agencies.

6. The rail rate provided by the Canadian National Railways, covering a one-line haul, is reasonably satisfactory. Transportation rates, however, to stations on the Dominion Atlantic Railways run approximately 50 per cent to 55 per cent higher, on the mileage basis, than though the movement was a one-line haul.

I figured out a number of the rates as you can do from the supporting sheet and it ran to 53 and 52, so I made it 50, 55.



7. The attached table showing carlot rates on agricultural limestone to destinations in the Province of Nova Scotia served by the Dominion Atlantic Railways, along with a comparison of rates that would apply for a one-rail movement, will clearly indicate the above point.

That is the supporting table which I think is self-explanatory in that it gives the two rates involved in D.A.R. destinations and works out the mileage and on a corresponding mileage on a one line haul there is a difference which is shown in the last column from $8\frac{1}{2}$ to 10 cents a hundred or from \$1.70 to \$2.00 a ton.

8. The additional cost to the Departments of Agriculture for D.A.R. rail deliveries is approximately \$1.60 per ton (Upper Musquodoboit-Kentville - \$4.60 in comparison with same distance on one line - \$3.00). On the volume annually moved to D.A.R. points of around 25,000 tons, the additional cost to Governments is approximately \$40,000. On many occasions, representations have been made to secure a through rate corresponding to that which would apply on a one-line movement, but without success.

9. The County of Kings is our largest user, with Hants and Annapolis purchasing considerable volume. At present, most of the limestone moves through by rail, although strong representations have been made to the Department of Agriculture and Marketing by farmers and farm organizations to extend our trucking assistance policy for greater distances.



10. The annual expenditure by the Nova Scotia Department of Agriculture and Marketing for Agricultural Limestone Assistance represents a sizeable portion of its annual budget and with economic measures constantly being imposed, the cheapest possible method of transportation should be utilized.

11. Unless there is some relief, it is fair to estimate that much of the limestone delivered to the Counties of Hants, Kings, and Annapolis, may be handled by truck. The trucking mileage from Upper Musquodoboit to Windsor, which is located in the western section of Hants County, is 71 miles, and to Kentville, which might be considered the centre of the distribution for Kings County, is 96 miles.

THE ACTING CHAIRMAN: Dr. Walsh, I take it your main complaint here is against the D.A.R.?

MR. WALSH: Yes, the two line haul.

THE ACTING CHAIRMAN: Now, to what extent is the limestone being trucked now?

MR. WALSH: We have a trucking policy where we assist - it was shipped mainly for farms located some distance from a railway. On a distance of 15 mile we pay some trucking distance and in recent years we have extended it in a very limited and a niggardly fashion because we want to keep this rail movement rate established and working. We have allotted it for an area of about 50 miles around the quarry which would take it very close to Truro, Kennetcook -



THE ACTING CHAIRMAN: What percentage would be moved by truck approximately?

MR. WALSH: I think I have that - about 12 - 13 per cent.

THE ACTING CHAIRMAN: Now, since you are here Dr. Walsh, how important is subsidized feed grain from the west - how important to the industry?

MR. WALSH: Well, that policy was established in October 1941 and I was before that feed administrator for Canada under the Wartime Prices and Trades Board and I was on the Committee that had something to do with that, so you have asked me a question I would like to answer.

THE ACTING CHAIRMAN: We would like to hear it too.

MR. WALSH: I personally feel and I think it is the feeling of all farmers in eastern Canada and in British Columbia that the costs of farm products to the consumer would have gone up a considerable amount if it were not for this freight assistance policy. In the main the farmers have stressed the policy and they want it and feel that it must be continued but it has also been a great help to the consumer. I prepared a table a year or two ago indicating that it was saving the consumers of Ontario, Quebec and the Maritimes about three or four times what the cost of the Assistance policy was to the government.

THE ACTING CHAIRMAN: Have you that table?

MR. WALSH: I have not got it here.



THE ACTING CHAIRMAN: Could you send it to us?

MR. WALSH: Yes, I will do that.

THE ACTING CHAIRMAN: And do you consider it as essential today as it was in 1941?

MR. WALSH: In 1941 the cost of seed landed in Halifax was \$9.00 a ton. Today, and I am subject to correction, it is \$22.00 a ton. When the policy was established the Dominion Government absorbed all the freight but 50 cents a ton and now they absorb all the freight but \$6.30 a ton. That is all from memory; I have not any notes on this. It means that they are paying in the vicinity of \$16.00 a ton subsidy for Nova Scotia. I have to make that approximate because there are two zones in Nova Scotia, there is one zone that runs from Amherst to Halifax and New Glasgow which is the lower rate zone and from New Glasgow east and Halifax west is the higher rate zone.

THE ACTING CHAIRMAN: Does it all come by rail?



MR. WALSH: Up to about two years ago, or a year ago, the bulk of it came by rail, but during the past five months there has been a fair movement - a considerable movement by water.

THE ACTING CHAIRMAN: What percentage, would you say?

MR. WALSH: It could be up to 40 per cent.

THE ACTING CHAIRMAN: And when you say that, that is from Fort William, down the lake, or from Montreal?

MR. WALSH: Or from Prescott; and I think some from Port Colbourne. That is two - Lake Ontario and Lake Erie; and from the head of the lake, I am told,

THE ACTING CHAIRMAN: Will the Seaway improve the water traffic volume?

MR. WALSH: I believe I could answer that with a Yes; because in 1938 we moved down one cargo - there were a few cargos moved prior to that - but I had something to do with that cargo and we had to use small boats - very small boats - because of the draft; and that, I believe, has been changed by the Seaway.

THE ACTING CHAIRMAN: Have you any storage facilities in Halifax?

MR. WALSH: There are good storage facilities in Halifax.

THE ACTING CHAIRMAN: Anywhere else in the province?

MR. WALSH: No. The ports that might be



concerned, if this is of interest to you, would be Halifax, Yarmouth, Port Williams, Pugwash, Pictou, Sydney, Mulgrave.

THE ACTING CHAIRMAN: And here only is there any storage?

MR. WALSH: Yes, that is right.

THE ACTING CHAIRMAN: Mr. Anscomb?

COMMISSIONER ANSCOMB: Do you know how much this freight subsidy has cost the nation from the time it started to date?

MR. WALSH: It is costing in the vicinity of \$18 million a year.

THE ACTING CHAIRMAN: The total, I think, is about \$300 million to date.

MR. WALSH: Yes.

THE ACTING CHAIRMAN: Mr. Mann?

COMMISSIONER MANN: Coming back to the limestone that moves out of Musquodoboit, that is the only location it moves from?

MR. WALSH: 99 per cent of the agricultural limestone is produced there.

COMMISSIONER MANN: And that is Canadian National line?

MR. WALSH: Yes.

COMMISSIONER MANN: Would it represent the bulk of the volume produced on that line, or are there any other commodities of any great importance comparable with limestone on that line?



MR. WALSH: I am not in a position to answer; but a matter of 45,000 or 50,000 tons must constitute a fair proportion of the volume of freight handled on that line. But only the railroad men would know the answer. There is lumber and other commodities moved.

COMMISSIONER MANN: And only a very insignificant part of that volume goes by truck at the present time?

MR. WALSH: Yes; less than 15 per cent.

COMMISSIONER MANN: Thank you very much.

THE ACTING CHAIRMAN: Mr. Platt.

COMMISSIONER PLATT: In your judgment is the livestock industry of the Maritime provinces - and I know that you know the other provinces as well as Nova Scotia - likely to increase in the years ahead and require more feed grain, or is it static or steady?

MR. WALSH: We have stayed about steady in the last five years; and our movement of subsidized grain - and all feed that comes into the area is not subsidized - I hope that is clear -- it is the grain and the mill feeds. We were up, during the latter part of the war, to 182,000 tons; we were around 160,000 tons for some years; but for the last five years the feed grain has varied between 120,000 and 130,000 tons; it is pretty stable.

COMMISSIONER PLATT: In your judgment as an agricultural expert, could benefit to the livestock industry be extended from the point of view of soil



conservation and good farming methods?

MR. WALSH: We have no other major activity or project except livestock. We have done a great deal in recent years in greater pasture improvement for cattle and sheep, and that does not call for grain feed.

We have, however, developed a big poultry industry, and our hog industry is one we are desiring to increase. We produce, annually, 100,000 hogs in Nova Scotia and we eat 300,000 hogs. That is Nova Scotia alone; and, of course, we are fairly closely associated transport-wise with Newfoundland which is a very heavy purchaser.

COMMISSIONER PLATT: That is all, thank you.

THE ACTING CHAIRMAN: Have you any questions, Mr. Cooper?

MR. COOPER: No.

THE ACTING CHAIRMAN: Mr. Boyd?

MR. BOYD: No questions.

THE ACTING CHAIRMAN: Mr. Wright?

MR. WRIGHT: Dr. Walsh, I, unfortunately, haven't a copy of your brief but I think you said the production of limestone was subsidized?

MR. WALSH: It is subsidized 25 cents a ton.

MR. WRIGHT: And this subsidy is paid by the federal and provincial governments?

MR. WALSH: Jointly.

MR. WRIGHT: It is a joint subsidy; and as a result of that subsidy the farmer gets limestone, did



you say, at \$.2.50 a ton?

MR. WALSH: Yes.

MR. WRIGHT: What effect would a reduction in the freight rate have on the price the farmer pays?

MR. WALSH: It wouldn't have one iota, if the Province of Nova Scotia and the Government of Canada maintained their present policy. The policy has changed from time to time. For many years we delivered it for \$1.00 per half ton, but as the freight rate went up we increased it to \$2.00 a ton, and then two years ago we increased it to \$2.50 a ton.

The point I am making is that with our little budget at the present time in agriculture we are using up about 8 per cent of our budget for this production policy, and if we could slice \$40,000.00 off that we would be very happy.

I have been asked to talk on limestone, but I think that I have given figures - I hope that I have given figures - to indicate the impact of any movement into this area or any movement out, because of this fuel rail situation. That was my object - that you would take that rather than just the one story, which would help a great deal.

THE ACTING CHAIRMAN: That is the point I asked you about, - the two-line haul again?

MR. WALSH: Yes.

THE ACTING CHAIRMAN: That is all, thank you, Dr. Walsh.





Now, that is all we have listed, is there anybody else to be heard from, Mr. Smith?

MR. SMITH: Mr. Ritcey of the Federation of Agriculture wishes to make a very short statement.

THE ACTING CHAIRMAN: Very well. What is your full name, Mr. Ritcey?

MR. RITCEY: Murray Ritcey.

Mr. Chairman, members of the Board, I am president of the Canadian Federation of Agriculture for the Province of Nova Scotia.

As a federation we are not presenting this Commission with a formal brief, but we have with us today certain people who are interested in presenting their views to you dealing with certain aspects of the industry.

You have already heard from Mr. Whalley and also Dr. Walsh who are two that we had listed to bring briefs to you today. We have two more, Mr. Gordon Woodman who has a few remarks to make. He is a dairy farmer from Grande Prairie; and also we have Mr. Curtis who is a dairy farmer from Truro. They have a few brief remarks which might be of some benefit to you.

THE ACTING CHAIRMAN: Will you gentlemen come forward.

MR. RITCEY: This is Mr. Woodman who is vice-president of the Federation of Agriculture.

MR. WOODMAN: Mr. Chairman and members of the Commission, I am interested mostly in the feed grain freight assistance policy. Dr. Walsh has spoken on it



already.

I would just like to bring to your attention how much it is worth to the farmers themselves in the Province of Nova Scotia. We have been asking for years that this be put on a permanent basis, and I would like to say why we, the farmers, feel it should be put on a permanent basis.

I have put down a few figures to show what the freight assistance policy means to me. On a hog grown for the freight assistance the amount is approximately \$4.00 per hog; on eggs it comes to 2½ to 3 cents a dozen; for laying pullets it amounts to 45 cents a bird; and for dairy production - milk - to about one cent per quart.

If we didn't have this policy these prices would have to be added on to the consumer, and we feel that the Dominion of Canada should help pay the policy which is the freight rate assistance policy for the benefit of farmers as well as the consumers in eastern Canada. When I add these up, taking my own personal operations in my farm, it is pretty close to \$2,000.00 a year I would have as an added expense to operate the farm that I have today.

THE ACTING CHAIRMAN: If there wasn't this subsidized feed grain from the west what feed would you use?

MR. WOODMAN: We wouldn't be in operation, the size we are, because we could not compete.

THE ACTING CHAIRMAN: Would you buy American



corn, or - -

MR. WOODMAN: That would be even higher still. I don't know at the present time what it is, but I know it is so high we wouldn't buy it.

THE ACTING CHAIRMAN: Mr. Platt?

COMMISSIONER PLATT: Just one thing: If you didn't have this freight assistance in bringing this in in your own costs do you think it would be possible to pass this on to the consumer, or would you run into difficulty with competing agricultural products coming in?

MR. WOODMAN: That is where we would run into difficulty - with the products which would be coming into the Maritime provinces cheaper than we could produce them.

THE ACTING CHAIRMAN: Thank you, Mr. Goodman. Mr. Curtis?

MR. CURTIS: Mr. Chairman and members of the Commission, in my brief submission I will attempt to show how it affects agriculture - myself as a farmer and agriculture generally; but I think it also affects everyone living in Nova Scotia, and because of that, of course, it has an indirect effect also on myself as a farmer and other farmers.

It seems that over a period of years - and I don't know how long, but it goes away back a long piece - it was a determined part of the national policy that we should have a tariff protection system for certain industries in Canada. Now, as it was, of course, a national policy, I think it naturally follows that there was a



great concentration of industry in the central part of Canada - Quebec and Ontario, if you like to be specific - with the resulting benefit to all the people who live in the central areas or in the concentrated areas adjacent to the manufacturing industry. Now, this, I think you would agree, would have a very beneficial affect to those living closely to the industries protected by the tariff, and adversely affect those further and further away; that is, the further you got away from the industry the more adverse the affect would be. In this way those living close would buy the product cheaper - the product of the plant cheaper - chiefly because of the method of pricing on the part of the industry - that is, f.o.b. at plant, and then the delivery costs are added, and those, of course, would be higher as you moved away from the industry.



It also provides a greater market due to the concentration of population for those living in these areas. Now, there have been some attempts made in the past to make some adjustment in this, and as has been mentioned before, the feed freight assistance policy was one attempt. That is, the farmers living in Nova Scotia who are a long piece away from where the grain growing areas are located, buy their grain at a price comparable to where it is produced. Now, there are handling charges which are not absorbed, of course, but generally the freight assistance policy removes the great differential between the two areas.

There are other things which have been an assist to a certain extent, and it is therefore suggested that the transportation costs and the heavy tariffs of 20 per cent should at least be studied so that the effect on the consumers in their respective areas could be properly evaluated. I believe such a study would bring out the actual situation, but there are examples that can be used without study which are fairly outstanding. Now, of the motor vehicles that are manufactured in Canada, the plants are located in Ontario and the value of the items that go into the manufacture, including labour, material, power, fuel, etc., annually represent something like \$700 million, and out of that \$700 million, \$600 million or \$650 million remains in that area in the Province of Ontario and probably \$50 million are spent in other provinces and some of it going outside the country. Now, it is quite simple to see the benefit that would accrue to the people located



around the automobile industry. The transportation costs of an average motor vehicle from the Oakville plant and the Oakville area - and I use Oakville because it is not the furthest one away from Nova Scotia - and yet it is something like \$130 to Nova Scotia and a reasonable estimate of the cost delivered in southern Ontario is approximately \$30, so then there is a difference of \$100 in the delivered cost of this vehicle to the Nova Scotia consumer. Now, we see from this that the Nova Scotia consumer of motor vehicles paid something like \$1,600,000 for the approximately 16,000 vehicles they bought, than a like number of consumers paid in Ontario so, in other words, the Ontario consumer was saving close to \$19 million on the 180,000 or 190,000 vehicles that were bought from them as against Nova Scotia.

Now, the figures here deal only with Nova Scotia; those are the approximate costs of shipping, and I believe the other provinces from the Manitoba border west would probably be more extreme than that.

Now, I think the above illustration clearly indicates that not only does the present transportation policy develop business in the central provinces, but it is an advantage to those people living in those areas, but certainly it is to the disadvantage of the people living in the extreme areas of Canada and, of course, I am thinking now as a Nova Scotian and I use the motor vehicle industry as an example, but there are other industries which are vital to the people in Nova Scotia



and the farmers as well. Take the farm implement industry, the electrical industry; there are many, many others that could be mentioned and if the total costs of the transportation over and above what the people have to pay in these areas was all totalled up it could come to \$3 million or \$4 million or even \$5 million that we in the extreme areas of Canada are penalized with because of the policy which because of the geography of Canada, is located in the central parts of the province and our transportation system does nothing to alleviate that situation.

Now, if I might make a suggestion, there are two ways that this could probably be helped out; the Government of Canada could take steps to equalize the inequality by a type of freight rate assistance or, secondly, the Government of Canada could indicate to the manufacturers who enjoy the substantial tariff protection that they must deliver their products to any point in Canada at an even cost.

Now, you may think that my quarrel is with the tariff policy. It could be, but I say that all Governments in the past have supported this policy and if it is going to be supported in the future - and I see no indications of any change - then something will have to be done if our population is going to be centred in certain areas because of the geography of our country; I say that it is the responsibility of the people, all the people of Canada to absorb the costs for those who are living in the areas where industries such as those



may not or may never be built. Thank you very much.

THE ACTING CHAIRMAN: Well, I think that we have enough problems without dealing with vehicle policies. If we deal with freight rates and transportation problems that is about our limit under our terms of reference. Any questions?

MR. COOPER: Mr. Curtis, perhaps you have already told the Commission, but if so I missed it; where is your farm?

MR. CURTIS: Just outside of Truro.

MR. COOPER: At what place?

MR. CURTIS: Onslow.

MR. COOPER: And you are an officer of the Nova Scotia Federation of Agriculture?

MR. CURTIS: No, I am a farmer.

MR. COOPER: You are just appearing on your own behalf as a farmer who has a farm at Onslow near Truro?

MR. CURTIS: Yes.

MR. COOPER: How big is your farm?

MR. CURTIS: Oh, 150, 200 acres.

THE ACTING CHAIRMAN: Mr. Platt?

COMMISSIONER PLATT: I assume from what you said that you were using that as an example of the national policy that affects people differently in one part of the country as against another, and this would be some justification for examining the Maritime Freight Rates Act, or something of that nature?



MR. CURTIS: Yes.

COMMISSIONER PLATT: That was the gist of your submission?

MR. CURTIS: That applies to the goods going out of Nova Scotia, but the cost of the goods coming in affects us just the same.

THE ACTING CHAIRMAN: Thank you.

MR. SMITH: As far as I know, there are no further submissions.

THE ACTING CHAIRMAN: Well, if there are no further submissions, I think that generally I can speak for the Commission in saying that we have had two motions since we started at Fredericton; first, we have been encouraged at the interest shown and the submissions made, and then we have been dismayed at the magnitude of the problem that we are expected to report on.

All we can say to you is that we will do our best, remembering that we are Canadians from one part of the country to the other and that we want, above all else, to preserve the union of Canada.

Thank you very much. We stand adjourned.

--- Whereupon the hearing adjourned until Tuesday, 10 a.m. at St. John's, Newfoundland.

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